

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)
OF SUGAR CREEK UTILITY)
COMPANY, INC. FOR APPROVAL OF)
A CHANGE IN RATES AND CHARGES)

CAUSE NO. 43579

FILED

APR 09 2009

INDIANA UTILITY
REGULATORY COMMISSION

PREFILED TESTIMONY

OF

SCOTT A. BELL - PUBLIC'S EXHIBIT #1

MARGARET A. STULL - PUBLIC'S EXHIBIT #2

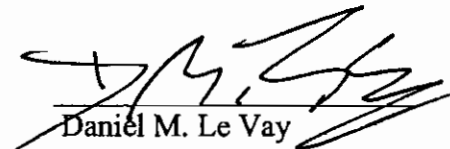
ROGER A. PETTIJOHN - PUBLIC'S EXHIBIT #3

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

APRIL 9, 2009

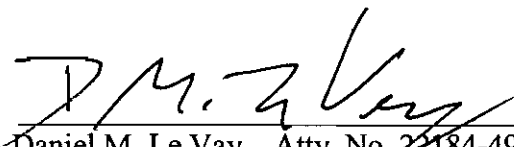
Respectfully submitted by


Daniel M. Le Vay
Assistant Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following attorney of record in the captioned proceeding by electronic mail on April 9, 2009.

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TESTIMONY OF SCOTT A. BELL
CAUSE NO. 43579
SUGAR CREEK UTILITY COMPANY, INC.

I. Introduction

1 **Q: Please state your name and business address.**

2 A: My name is Scott A. Bell, and my business address is National City Center, 115 West
3 Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as the
6 Director of the Water/Wastewater Division.

7 **Q: What is your educational background and experience?**

8 A: I graduated from Purdue University in 1987 with a Bachelor of Science degree in
9 Industrial Management, with a minor in Industrial Engineering. I began working for the
10 Indiana Utility Regulatory Commission ("IURC" or "Commission") in 1988 as a Staff
11 Engineer. While employed at the Commission, I attended the Western Utility Rate
12 Seminar sponsored by the National Association of Regulatory Utility Commissioners
13 ("NARUC"). In 1990, I was transferred to the Indiana Office of Utility Consumer
14 Counselor ("OUCC") at the time of the reorganization of the Commission and the
15 OUCC. In 1999, I was promoted to the position of Assistant Director of the newly
16 formed Rates/Sewer/Water Division. In 2005, I was promoted to the position of Director
17 of the Division, which was subsequently renamed the Water/Wastewater Division. In
18 September 2006, I was appointed to be a member of the Water Shortage Task Force,
19 created by SEA 369 in the 2006 General Assembly and am currently serving a two year

1 term. I have attended numerous utility related seminars and workshops during my
2 employment. I have also completed additional coursework regarding water and
3 wastewater treatment at Indiana University Purdue University Indianapolis.

4 **Q: Have you previously testified before this commission?**

5 A: Yes. I have testified in many causes relating to telephone, gas, electric, water, and sewer
6 utilities. Over the past ten years, I have testified exclusively on water and wastewater
7 utility issues. Some of those issues include the reasonableness of cost of service studies,
8 rate design, fair value, Replacement Cost New Less Depreciation ("RCNLD") studies,
9 engineering related operation and maintenance expenses, and capital improvement
10 projects.

11 **Q: What is the purpose of your testimony?**

12 A: The purpose of my testimony is to provide the Indiana Utility Regulatory Commission
13 ("Commission" or "IURC") my comments, professional opinions and recommendations
14 regarding the requested relief in this cause.

15 **Q: What investigations have you performed in this cause?**

16 A: I reviewed the Verified Petition filed on October 2, 2008. I reviewed the testimony of
17 Mr. Patrick Callahan and Mr. James W. Frazell filed on behalf of Sugar Creek Utility
18 Company, Inc. ("Petitioner" or "Sugar Creek"). I also reviewed Petitioner's responses to
19 OUCC data requests. On March 19, 2009, OUCC Senior Utility Analyst Roger Pettijohn
20 and I met with Mr. Salis (owner of Sugar Creek and Heartland Resort) and toured the
21 utility facilities. On March 31, 2009 I attended a meeting conducted by Triad
22 Engineering, Inc. regarding the proposed main replacement project. I also participated in
23 numerous meetings with OUCC Staff regarding this case.

1 I also actively participated in the IURC Investigation of Sugar Creek in Cause No. 43534,
2 which is still pending before the Commission. In that case I reviewed the Commission's
3 Orders in Cause Nos. 39891, 41881 and 41913. Starting in 2007, I had numerous
4 telephone conversations with Diana Tompkins, Secretary of the Riley Village
5 Homeowners Association, Inc. ("Association") and reviewed several documents that she
6 sent to the OUCC on behalf of the Association concerning Sugar Creek. On June 19,
7 2008 I met personally with Diana Tompkins and Bob McDaniels, President of the Riley
8 Village Homeowners Association. During this and subsequent meetings, I obtained
9 copies of many documents related to Sugar Creek's utility service within the Riley
10 Village subdivision. I also took several pictures within the Riley Village community. I
11 also met with counsel for Sugar Creek along with other OUCC staff. In that case I
12 reviewed OUCC data requests and the responses provided by Sugar Creek. I also
13 contacted the Indiana Department of Environmental Management ("IDEM") and
14 obtained a copy of and reviewed numerous Public Water System Sanitary Survey / Field
15 Inspection Reports for Sugar Creek (dated from October 18, 2002 to June 2, 2008) and a
16 copy of IDEM NPDES Permit No. IN0036528, which became effective on July 1, 2006.

17 **Q: Please provide a brief summary of your testimony in this cause.**

18 **A:** I provide a brief overview of Sugar Creek Utility Company, Inc. I then discuss Sugar
19 Creek's regulatory history at the Commission. Then I discuss my concerns regarding the
20 number of EDU's assigned to Petitioner's affiliate, Heartland Resort and propose a
21 revised number of EDU's that should be assigned.

1 **Q: How is the remainder of your testimony organized?**

2 A: My testimony is provided in the following sections:

3 I. Introduction.

4 II. Overview of Sugar Creek Utility Company, Inc

5 III. Regulatory History

6 IV. Heartland's Rate

7 V. Recommendations

8 **II. Overview of Sugar Creek Utility Company, Inc.**

9 **Q: Please describe Sugar Creek Utility Company, Inc.**

10 A: Sugar Creek Utility Company, Inc. is a for-profit public water and sewer utility serving
11 residential and commercial customers in rural Hancock County, Indiana. More
12 specifically, Sugar Creek provides water and sewer utility service directly to
13 approximately 84 residential homes in Riley Village, a manufactured housing community
14 in Hancock County, and Heartland Resort, a for-profit camping resort. Heartland Resort
15 is affiliated with Sugar Creek through common ownership.

16 For its water utility service, Sugar Creek is classified as a Community Public Water
17 System by the Indiana Department of Environmental Management ("IDEM") and has a
18 Public Water System Identification ("PWSID") No. 5230006. According to the 2007
19 IURC Annual Report and the IDEM water facility database, it appears that Sugar Creek's
20 facilities consist of two water wells, water pressure tanks, a backup generator and
21 distribution mains.

1 To provide sewer utility service, Sugar Creek operates a Class 1, 0.06 MGD, extended
2 aeration wastewater treatment plant with a lift station, two aeration tanks, two final
3 clarifiers, a chlorine contact tank, and dechlorination facilities. The collection system is
4 100% separate sanitary sewer with no bypasses or overflows. IDEM has issued a
5 National Pollution Discharge Elimination System ("NPDES") permit, which is currently
6 in effect.

7 **III. Regulatory History**

8 **Q: Please briefly describe Sugar Creek's history with respect to regulation by the**
9 **Commission.**

10 **A:** In Cause No. 39891, initiated in 1994, Sugar Creek Utility requested the grant of its
11 Certificate of Territorial Authority ("CTA") to provide sewer utility service and approval
12 for an emergency increase in its rates and charges. In that cause, the Commission
13 initially authorized Petitioner (in its March 16, 1994 Order) to "increase its rates and
14 charges on an interim basis, subject to refund, for water and sewer service to its one (1)
15 customer, Riley Village ...". Subsequently, in its April 10, 1996 Final Order, the
16 Commission approved a settlement reached by Sugar Creek, the Riley Village
17 Homeowners Association, and the OUCC. This Order granted Sugar Creek its CTA and
18 authorized a combined water and sewer residential rate of \$80.84 per equivalent dwelling
19 unit ("EDU"). As part of its settlement of Cause No. 39891, Sugar Creek agreed that,
20 after a review of the utility's records, either the Association or the OUCC could require
21 Sugar Creek to file a Petition seeking an adjustment in its rates and charges. The
22 Agreement further required the utility to install a back-up generator to prevent

1 interruptions of service during power outages. The Agreement also established a
2 demarcation of responsibility between the homeowners of existing homes and the utility
3 for repairing and maintaining lines.

4 In 2000, after its review of the utility's books, the OUCC initiated Cause No. 41913. In
5 that case the OUCC sought a determination that Sugar Creek should lower its rates to
6 reflect the addition of customers, which relief was anticipated in the Settlement
7 Agreement reached among Sugar Creek, the OUCC, and the Riley Village Homeowners
8 Association in Cause No. 39891.

9 Also in 2000, the OUCC initiated Cause No. 41881, where it sought a determination by
10 the Commission that Sugar Creek Utility should directly bill its residential customers.
11 The two cases, Cause Nos. 41913 and 41881, were subsequently consolidated by the
12 Commission.

13 On June 29, 2001, in the consolidated Cause Nos. 41881 and 41913, the IURC issued an
14 Order approving the Modification to Stipulation and Settlement Agreement reached
15 between the OUCC and Sugar Creek Utility, in which the utility agreed to ultimately
16 lower its rates from \$80.84 to \$69 per residential dwelling unit. Sugar Creek also agreed
17 to give an automatic credit of four (4) residences to Riley Village Homeowners
18 Association (e.g., If there are 84 existing residential structures in Riley Village, Sugar
19 Creek would only bill the Homeowners Association for 80.). In exchange, the Public
20 agreed to dismiss its claims in Cause Nos. 41881 and 41913 without prejudice, and

1 agreed not to raise the direct billing issue any sooner than four 4 years or the next rate
2 case, whichever first occurred. Both parties agreed not to seek a change to Sugar Creek's
3 rates or raise any other issues addressed in the Modification to Stipulation and Settlement
4 Agreement that would be effective before July 1, 2005.

5 On July 11, 2008, the OUCC initiated a Complaint and Request for Investigation in
6 Cause No. 43534. In its Petition, the OUCC requested the Commission initiate an
7 investigation with respect to Sugar Creek's (1) billing practices, (2), certain operational
8 issues and (3) its rate structure. More specifically, the OUCC requested the Commission
9 investigate the utility's practice of collecting its rates from the Riley Village
10 Homeowner's Association and require the utility to bill and collect payment directly from
11 its individual residential customers. The OUCC also requested the Commission
12 investigate the utility's rate structure and require the utility to collect a greater part of its
13 required revenue from its affiliate, Heartland Resort. Finally, the OUCC requested the
14 Commission investigate the utility's operational practices that impair its provision of
15 adequate service, and such other relief the Commission deems just. However, at the
16 prehearing conference in Cause No. 43534, before the opening of the record, Sugar Creek
17 announced that it intended to file a rate case. At that time, the OUCC advised that since
18 Sugar Creek would be filing a rate case, the OUCC would address the rate structure issue
19 as part of Cause No. 43579 and would not address the issue as part of the investigation in
20 Cause No. 43534. Therefore, I address below the number of EDU's that should be
21 assigned to the utility's affiliate, Heartland Resort.

I.V. (3) Heartland's Rate

Q: What does Petitioner currently charge its customers?

A: Petitioner currently charges its customers for both water and wastewater utility service on a per residential home or equivalent dwelling unit ("EDU") basis. Pursuant to the June 27, 2001 Modification to Stipulation and Settlement Agreement mentioned above, Petitioner currently charges the Riley Village Homeowners Association a flat monthly rate of \$17.25 for water service and \$51.75 for wastewater service, which totals \$69.00 for each residence or EDU in the Riley Village subdivision. However, pursuant to the Settlement Agreement mentioned above, the Utility agreed to provide an automatic credit of four (4) EDU's for home vacancies in Riley Village. Therefore, the Utility charges the Riley Village Homeowners Association for 80 EDU's (84 residential homes minus 4 credits for vacancies). The monthly bill to Riley Village is \$5,520 (80 EDU's times \$69.00 / EDU) plus 7% sales tax of \$96.60 on water service totals \$5,616.60 per month. (Note: There is no sales tax on wastewater utility service.)

Petitioner also charges its affiliated commercial customer (Heartland Resort) a flat monthly rate for both water and wastewater utility service. During the year 2008, the Utility billed Heartland Resort for 31.56 EDUs at \$65 / EDU / month for a total annual bill of \$24,617. For some reason, Sugar Creek did not include the 7% tax on water utility service when billing Heartland Resort. As discussed more thoroughly in Ms. Stull's testimony, Petitioner should have been charging Heartland Resort the same monthly rate of \$69 / EDU / month that it was charging the Riley Village Homeowners Association. However, it instead charged Heartland only \$65 / EDU / month. Mr. Stull has made an

1 accounting adjustment to reflect the appropriate monthly rate.

2 **Q: Do you have concerns about the number of EDUs Petitioner bills Heartland Resort?**

3 A: Yes. As mentioned earlier, Petitioner bills Heartland Resort for 31.56 EDUs each
4 month. I am concerned that the 31.56 EDUs do not fairly represent the water and
5 wastewater usage of this commercial customer.

6 **Q: What portion of Sugar Creek's current revenues are to be derived from Heartland?**

7 A: Currently, Sugar Creek derives approximately 27.55% of its revenues from Heartland
8 Resort and 72.45% of its revenues from the Riley Village residential customers. As
9 mentioned earlier, Heartland Resort is allocated approximately 31.56 EDUs and the Riley
10 Village residential customers are allocated 84 EDUs. This current cost allocation was
11 established in the Modification to Stipulation and Settlement Agreement approved by the
12 Commission's Order in Cause Nos. 41913 and 41881.

13 **Q: Has the number of customers changed since the monthly rates we established in**
14 **2001?**

15 A: In 2001 Riley Village subdivision had only 83 residential customers. Since that time,
16 Riley Village subdivision has added only one customer for a total of 84 residential
17 customers. Sugar Creek has not added any other customers. However, Heartland Resort
18 has added a number of water and wastewater service connections for additional
19 campground lots. In response to OUCC Data Request Question No. 9, which asked
20 "whether any campsites or other amenities have been added to Heartland Resort since
21 January 2001", Petitioner responded with the following:

22 Since January 2001, a total of nineteen (19) additional campsites exist in
23 Heartland Resort. Since January 2001, thirty (30) new campsites were
24 added to the 700 section of Heartland Resort, and eleven (11) campsites
25 were removed in the lower section of Heartland Resort.

1 The thirty (30) new camp sites in Section 700 provide both water and wastewater service.
2 Petitioner did not indicate whether the eleven removed camp sites provided water and
3 wastewater service or not. However, the thirty new campsites are served by the same
4 well providing service to Riley Village. The eleven campsites removed from the lower
5 section were not served the same well providing service to Riley Village, but rather by
6 the well on the east side of the creek. Therefore, the Utility is now providing water and
7 wastewater service to at least nineteen (19) additional camp sites.

8 **Q: In this rate case, has Sugar Creek proposed a higher number of EDU's to be**
9 **imputed to Heartland?**

10 A: No. Despite the larger number of campsites since the last rate review, Sugar Creek has
11 not proposed to charge Heartland for a larger portion of the costs of operating the utility.

12 **Q: Have you inspected Heartland Resort's facilities?**

13 A: Yes. On March 19, 2009, OUCC Senior Utility Analyst Roger Pettijohn and I met with
14 Mr. Salis and toured the utility facilities. I provide the following information regarding
15 the facilities that I observed during our inspection.

16 **Wells:** I observed two water wells during my inspection. The first well or
17 "West Well" provides water to Riley Village residential customers and the
18 west half of the Heartland Resort. The second water well or "East Well"
19 was located in the lower or eastern portion of Heartland Resort. This well
20 reportedly serves the campsites and restroom facilities east of Sugar
21 Creek, however, I do not believe the well production is metered (Note:
22 The actual Sugar Creek runs from north to south and separates the
23 Heartland Resort campground into an eastern and western portion.) Mr.
24 Salis also explained that another well exists on the property. However, it
25 has not been used recently due to its poor condition.

26 **Meters:** I inspected the meter pit with two (2) Neptune Water Meters (2"
27 meters). One meter was recording the water usage of Riley Village
28 residents and the other meter was registering the water usage of Heartland

1 Resort. Both meters were working at the time of inspection. The meter
2 pit is located next to the West Well serving both Riley Village and
3 Highland Resort.

4 **Pressure Tank:** A small shed was located next to the well. The shed
5 houses a Shur-Dri Pressure Tank which reportedly provides water pressure
6 to Riley Village and Heartland Resort customers.

7 **Backup Generator:** I observed the backup generator that provides power
8 to the West Well in case of a power failure. During my visit Mr. Salis
9 manually started the generator and it operated for approximately 4 to 5
10 minutes. It is my understanding that the generator does not automatically
11 start when the power fails, but rather needs to be manually started.

12 **Wastewater Treatment Facility:** I inspected the wastewater treatment
13 facility that provides service to all the customers of Sugar Creek Utility.
14 The wastewater from Riley Village residents and Heartland Resort (both
15 east and west sides of the creek) flows into a lift station next to the
16 treatment plant. The wastewater is then pumped to the wastewater
17 treatment facility. The wastewater treatment facility is an extended
18 aeration system with clarification tank, sludge digestion, chlorination and
19 dechlorination. An East Tech Flow Meter (Vantage Ultra Sonic 2220
20 Flow/Level Meter) was operational and indicated 4.31 gpm flow during
21 the inspection.

22 **Q: Did you observe any of Heartland Resorts facilities that may use water or**
23 **wastewater utility service?**

24 **A:** Yes. I provide the following information regarding the Heartland Resort facilities that
25 would use water and/or wastewater utility service.

26 **Gate House:** This facility includes a large meeting room with restroom
27 facilities for both men and women (i.e. sinks, urinals and stools). This
28 building houses the Heartland Resort offices which included desks,
29 computers, etc. In addition, small items were for sale including snacks and
30 supplies.

31 **Club House:** This facility has a large meeting room and a kitchen area
32 with a commercial sink, refrigerator, and both men's and women's
33 restrooms with a total of four (4) sinks, five (5) stools, and two (2) urinals.

34 **Camper's Corner Building:** Mr. Salis indicated that this building is used
35 for cooking breakfast and other meals for campers. I assume commercial
36 cooking facilities would be present (i.e. sinks and dish washing facilities).

1 **Indoor Pool:** The indoor pool has restroom and locker room facilities.
2 The men's restroom has two (2) sinks, two (2) urinals, two (2) stools, and
3 three (3) showers. I assume the women's restroom to have comparable
4 facilities. The indoor pool was more than half full of water during the
5 inspection. However, this facility is closed for the winter and opens
6 around Labor Day.

7 **Snack Building at Beach:** Mr. Salis indicated that the snack facility had
8 a restroom and sink.

9 **Wash Room for Beach:** Mr. Salis indicated that this facility was used by
10 campers that visited the beach area. This men's and women's restroom
11 facility includes a total of four (4) sinks, two (2) urinals, three (3) stools
12 and shower facilities.

13 **Banquet Hall:** Mr. Salis indicated that this building is rented out for large
14 wedding receptions and other large parties or gatherings. It has two large
15 room with men's and women's restroom for each room. A total of four
16 (4) stools, four (4) sinks, one (1) urinal, and a commercial sink in the
17 kitchen area.

18 **Picnic Pavilions:** These outdoor covered pavilions has both men's and
19 women's restroom facilities and a seating capacity of approximately 300.

20 **Rest room Facilities (East of the Creek):** Heartland provides two (2)
21 separate restroom facilities for both men and women. I inspected the only
22 restroom that was open during my inspection. That facility included six
23 (6) sinks, six (6) toilets, and three (3) showers on the women's side and
24 comparable facilities on the men's side. This facility also had separate
25 clothes washing room with four (4) washing machines and four (4) dryers.
26 This facility is heated and is open all year. Mr. Salis informed me that the
27 other restroom facility was closed during the winter months.

28 **Dump Station:** Heartland Resort provides a dump station that receives
29 wastewater from recreational vehicles (RV). If an RV is not directly
30 connected to the wastewater collection system at a camp site, the RV can
31 hold the wastewater in a tank and dispose of it at the dump station.

32 **Campsites:** Heartland Resort has approximately 280 campsites, of which
33 all are provided water service and approximately 200 are provided sewer
34 service.

35 **Q: Does the Utility have more accurate measured usage data (2001-2009) that would**
36 **support a change in the number of EDUs allocated to Heartland Resort?**

1 A: Unfortunately not. Petitioner has only two water meters, one measuring water usage to
2 Heartland Resort and the other meter measuring usage to Riley Village¹ residents.
3 However, in response to OUCC Data Request Question 7, which asked for Heartland
4 Resort's average flow for both water and sewer service, Petitioner stated the following:

5 For water service, the flow meter was not operational between 2002 and
6 December, 2008. Between 12/3/08 and 12/26/08, the meter showed that
7 Heartland's water usage was 9,800 gallons and Riley Village's usage was
8 63,600 gallons. Accurate data is not available for January, 2009 due to a
9 main break. Sewage flow is measured by Astbury Environmental
10 Engineering, and monitors are not configured to separately measure
11 sewage flows of Heartland Resort and Riley Village. Astbury's reports
12 show that the aggregate average flow from 12/29/08 to 1/27/09 was
13 1,469,700 gallons. Astbury is currently investigating whether the flow
14 monitor is accurate because the December-January flow figure is higher
15 than normal and there appear to be no usage changes that would otherwise
16 explain the increased flow.

17 Since Petitioner's water meters have not been operational for the past seven years, no
18 accurate historical water usage data is available for either Heartland Resort or Riley
19 Village customers. The Utility provided no explanation as to why the two water meters
20 were not operating for seven years, although they have been recently repaired and are
21 operating now.

22 Also, it appears from Petitioner's response to OUCC Data Request Question 7, that the
23 wastewater flow monitor may not have been operating properly during the month of
24 January 2009 and may not be able to provide reliable historical flow data. In an attempt
25 to determine the level of historical wastewater flow, the OUCC obtained directly from

¹ Currently, Petitioner does not meter the individual water usage of each Riley Village residential customer. Sugar Creek only meters the volume of water pumped through the water main serving the Riley Village subdivision.

1 IDEM copies of Sugar Creek's IDEM Monthly Report of Operation (MRO) for the
2 period of January 2008 through December 2008 (See Attachment 1) (Note: The OUCC
3 was not able to obtain the September 2008 MRO). The monthly flow data reported on
4 the MRO ranged from over 2.1 million gallons per month for both May and December to
5 only 167,000 gallons of flow reported for month of July. This data is the opposite of
6 what would be expected for those months. Thus, it would appear that the data contained
7 in the MROs is unreliable as well.

8 **Q: What method would be most appropriate of establishing rates for the customer**
9 **classes?**

10 **A:** The most appropriate method of establishing rates for the customer classes is through the
11 development of a cost of service study ("COSS"). It has been my experience that the
12 majority of water utilities regulated by the Commission have used a Base-Extra Capacity
13 methodology to allocate costs to customer classes for water utility service. This
14 methodology would not only take into consideration the base costs of providing service
15 but also the extra-capacity costs associated with peak demands. However, a key
16 component to developing a COSS is having accurate usage data. Since accurate
17 historical usage data is not available, I have not used a COSS to allocate any costs or
18 assign EDUs to customers. Given the size of the utility and the cost associated with
19 performing a COSS, I do not recommend Petitioner be required to perform a COSS.

20 **Q: In lieu of a cost of service study, how should the rates be established for the Riley**
21 **Village customers and the Heartland Campground?**

22 **A:** In lieu of a cost of service study, a reasonable method of determining the relative cost of
23 providing water and sewer service would be to rely on the design flow rate requirements
24 for sewage collection systems under 327 IAC 3-6-11. Under that system, for a single

1 family home, an average daily flow (ADF) is determined by multiplying the proposed
2 number of residential service connections (PRSC) by the General Average daily flow rate
3 (310 gpd/unit.) If Riley Village has 84 residential homes, the value would be 26,040 gpd.
4 With respect to campground sites, an average daily flow (ADF) is determined by
5 multiplying the proposed number of service connections (PCS) by the flow calculation
6 factor (FCF) for campground sites. The flow calculation factors are established by the
7 table provided under 327 IAC 3-6-11. A campground site with a sewer connection has an
8 FCF of 100 gpd, while a camp ground site without a sewer connection has an FCF of 50
9 gpd. Heartland Resort currently has 200 full hook-ups (water and sewer connections)
10 and 80 hook-ups that do not include sewer service connections. Thus, looking only at
11 campground sites, Heartland should be considered to have an average daily flow of
12 24,000 gpd ($200 \times 100 \text{ gpd} + 80 \times 50 \text{ gpd}$). Heartland Resort provides several other
13 amenities, as mentioned above, such as primitive campsites, banquet halls and meeting
14 rooms, golf, picnic pavilions, restroom facilities, snack buildings, sewage dump station
15 and a swimming pool. These uses also are indicated with a flow calculation factor under
16 327 IAC 3-6-11. For instance, a swinging pool bathhouse is considered to have 10 gpd
17 per swimmer and an Assembly Hall is considered to have 3 gpd per seat. Although
18 Heartland opens its facilities to people who are not staying at its campground, I did not
19 include these additional flows in my calculation of the EDUs to be assigned to Heartland,
20 though these flows could be significant. I would add that this methodology has no way
21 of capturing the flow produced by the primitive campsites.

22 **Q: Based on that analysis, how many EDU's should the 280 campground sites be**
23 **considered?**

1 A: A single family residential unit is considered to be one EDU. One single family home is
2 considered to have a flow calculation factor of 310 gpd. In total, the 280 campground
3 sites in Heartland have an average daily flow of 24,000 gpd. Thus, the 280 campground
4 sites should be considered to have an equivalent of 77 EDU's ($24,000/310 = 77.42$).
5 OUCC witness Ms. Stull has used these figures in determining the rates for Petitioner's
6 customers.

Recommendations

7 **Q: What are your recommendations in this cause?**

8 A: I recommend the Commission require Sugar Creek to charge its affiliate Heartland Resort
9 for water and wastewater utility service based on an allocation of 77 equivalent dwelling
10 units compared to the 84 individual dwelling units in Riley Village.

11 **Q: Does this conclude your testimony?**

12 A: Yes.

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: January
Year: 2008

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Ronald Rockhill 2-24-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John P. Salas 2/28/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

		FINAL EFFLUENT															
		Flow		BOD				Total Suspended Solids				Ammonia				Other	
Day Of Month	Day Of Week	Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	Oil & Grease - mg/l	
29	Sat	0.0058															
30	Sun	0.0058															
31	Mon	0.0058															
1	Tue	0.00623															
2	Wed	0.00568															
3	Thu	0.00483															
4	Fri	0.00651		4		0.2173		5.17		0.2809		0.17		0.0092			
5	Sat	0.00558	0.00578		4		0.2173		5.17		0.2809		0.17		0.0092		
6	Sun	0.00677															
7	Mon	0.00622															
8	Tue	0.00763															
9	Wed	0.00742															
10	Thu	0.00789															
11	Fri	0.00713															
12	Sat	0.00817	0.00729														
13	Sun	0.00718															
14	Mon	0.00749															
15	Tue	0.00834		4		0.2784		12.3		0.856		0.312		0.0217			
16	Wed	0.00738															
17	Thu	0.01264															
18	Fri	0.01177															
19	Sat	0.01506	0.00998		4		0.2784		12.3		0.856		0.312		0.0217		
20	Sun	0.01206															
21	Mon	0.01241															
22	Tue	0.014		4		0.4673		6.9		0.8061		0.202		0.0236			
23	Wed	0.01177															
24	Thu	0.01141															
25	Fri	0.01292															
26	Sat	0.01173	0.01233		4		0.4673		6.9		0.8061		0.202		0.0236		
27	Sun	0.01031															
28	Mon	0.01101															
29	Tue	0.01102		4		0.3876		10.8		0.9932		1.21		0.1413			
30	Wed	0.00781															
31	Thu	0.00733	0.00822		4		0.3678		10.8		0.9932		1.21		0.1413		
Avg		0.00918		4.0		0.3327		8.8		0.7341		0.37		0.0415			
Max		0.01506	0.01233	4	4	0.4673	0.4673	12.3	12.3	0.9932	0.9932	1.21	1.21	0.1413	0.1413		
Min		0.00483	0.00578	4	4	0.2173	0.2173	5.17	5.17	0.2809	0.2809	0.17	0.17	0.0092	0.0092		
Data		31	5	4	4	4	4	4	4	4	4	4	4	4	4	0	0

MONTHLY SUMMARY					Total Monthly Flow (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	0.2835
Primary Treatment	NA	NA			
Secondary Treatment	95.6	86.7			
Tertiary Treatment	0.0	8.2			
Overall Treatment	95.6	87.8	NA	NA	
					Percent Capacity (actual flow/design) #DIV/0!

Wastewater Treatment Plant

Sugar Creek Utility	IN0036528	February	2008
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Ronald Rockhill 4-9-08

(SIGNATURE OF CERTIFIED OPERATOR) _____ (DATE) _____

John P. Hall 4/11/08

(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) _____ (DATE) _____

[illegible]

MONTHLY FLOW SUMMARY					Total Monthly Flow: (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	0.27964
Primary Treatment	NA	NA			Percent Capacity (actual flow/design) #DIV/0!
Secondary Treatment	88.7	79.8			
Tertiary Treatment	6.3	20.0			
Overall Treatment	89.4	83.7	92.6	NA	

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0038528
For Month Of: March
Year: 2008

Ronald Rockhill 4-29-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John Platis 4/30/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

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		FINAL EFFLUENT															
Day Of Month	Day Of Week	Flow		BOD				Total Suspended Solids				Ammonia				Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Sat	0.01367															
2	Sun	0.01183															
3	Mon	0.01145															
4	Tue	0.01189															
5	Wed	0.01422															
6	Thu	0.01046															
7	Fri	0.01096															
8	Sat	0.01046	0.01181	6.26	6.26	0.5464	0.5464	13.3	13.3	1.1609	1.1609	0.371	0.371	0.0324	0.0324	0.422	
9	Sun	0.01007															
10	Mon	0.00921															
11	Tue	0.00845		4		0.2621		12.5		0.8814		0.473		0.0334			
12	Wed	0.00835															
13	Thu	0.00851															
14	Fri	0.0083															
15	Sat	0.00839	0.00875		4	0.2621		12.5		0.8814		0.473		0.0334			
16	Sun	0.00829															
17	Mon	0.00835															
18	Tue	0.00831		4		0.2774		2.88		0.1997		0.48		0.0333			
19	Wed	0.01746															
20	Thu	0.01725															
21	Fri	0.017															
22	Sat	0.0175	0.01345		4	0.2774		2.88		0.1997		0.48		0.0333			
23	Sun	0.0176															
24	Mon	0.01755															
25	Tue	0.03535		4		1.18		13.1		3.8644		0.224		0.0661			
26	Wed	0.01216															
27	Thu	0.01227															
28	Fri	0.01203															
29	Sat	0.01223	0.01703		4	1.18		13.1		3.8644		0.224		0.0661			
30	Sun	0.01217															
31	Mon	0.01216															
Avg		0.01271		4.6		0.5715		10.4		1.5266		0.439		0.0413		0.422	
Max		0.03535	0.01703	6.26	6.26	1.18	1.18	13.3	13.3	3.8644	3.8644	0.48	0.48	0.0661	0.0661	0.422	
Min		0.00829	0.00875	4	4	0.2774	0.2774	2.88	2.88	0.1997	0.1997	0.224	0.224	0.0324	0.0324	0.422	
Data		31	4	4	4	4	4	4	4	4	4	4	4	4	4	1	0

MONTHLY TREATMENT SUMMARY					Total Monthly Flow: (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	0.3939
Primary Treatment	NA	NA			
Secondary Treatment	89.9	36.3			
Tertiary Treatment	36.1	40.4			
Overall Treatment	93.6	62.0	NA	NA	
					Percent Capacity (actual flow/design) #DIV/0!

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: April
Year: 2008
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State Form 10829 (R/12-2006)

Ronald Rockhill 5-21-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John P. Salas 5/21/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

		FINAL EFFLUENT															
Day Of Month	Day Of Week	Flow		BOD				Total Suspended Solids				Ammonia				Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Tue	0.01216															
2	Wed	0.01543		4		0.5151		1		0.1288		1.55		0.1996			
3	Thu	0.01075															
4	Fri	0.00966															
5	Sat	0.00893	0.01161		4		0.5151		1	0.1288		1.55		0.1996			
6	Sun	0.00784															
7	Mon	0.00844															
8	Tue	0.00753		4		0.2514		1		0.0628		0.529		0.0332			
9	Wed	0.00896															
10	Thu	0.00864															
11	Fri	0.00956															
12	Sat	0.00816	0.00845		4		0.2514		1	0.0628		0.529		0.0332			
13	Sun	0.00827															
14	Mon	0.006															
15	Tue	0.00503		4.46		0.1872		1		0.042		0.265		0.0111			
16	Wed	0.00444															
17	Thu	0.00432															
18	Fri	0.00518															
19	Sat	0.00305	0.00518		4.46		0.1872		1	0.042		0.265		0.0111			
20	Sun	0.00613															
21	Mon	0.00312															
22	Tue	0.00362		4		0.1208		1		0.0302		0.511		0.0154			
23	Wed	0.00345															
24	Thu	0.00343															
25	Fri	0.0032															
26	Sat	0.00374	0.00381		4		0.1208		1	0.0302		0.511		0.0154			
27	Sun	0.00306															
28	Mon	0.00273															
29	Tue	0.00236		4		0.0788		1		0.0197		0.77		0.0152			
30	Wed	0.00496	0.0154		4		0.5627		1.51	0.2741		0.721		0.0955			
Avg		0.00641		4.1		0.2306		1.0		0.0667		0.73		0.0649			
Max		0.01543	0.0161	4.46	4.46	0.5151	0.5627	1	1.51	0.1288	0.2741	1.55	1.55	0.1996	0.1996		
Min		0.00236	0.00381	4	4	0.0788	0.1208	1	1	0.0197	0.0302	0.265	0.265	0.0111	0.0111		
Data		30	5	5	5	5	5	5	5	5	6	5	5	5	5	0	0

					Total Monthly Flow: (million gallons) 0.1922
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	
Primary Treatment	NA	NA			
Secondary Treatment	98.6	89.7			Percent Capacity
Tertiary Treatment	26.2	93.0			(actual flow/design) #DIV/0!
Overall Treatment	97.6	99.3	NA	NA	

**Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant**

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: May
Year: 2008

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State Form 10629 (R/12-2006)

Ronald Rockhill 7-1-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)

Cathy Smith 7-2-08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

		FINAL EFFLUENT															
Day Of Month	Day of Week	Flow		BOD				Total Suspended Solids				Ammonia				Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Thu	0.0399															
2	Fri	0.0467															
3	Sat	0.0343															
4	Sun	0.0473															
5	Mon	0.0433															
6	Tue	0.0251		4		0.8378		12.3		2.5764		0.757		0.1586			
7	Wed	0.0686															
8	Thu	0.0643															
9	Fri	0.0809															
10	Sat	0.0831	0.0589		4	0.8378		12.3		2.5764		0.757		0.1586			
11	Sun	0.0683															
12	Mon	0.0587															
13	Tue	0.0725		4		2.4201		3.13		1.8937		0.306		0.1851			
14	Wed	0.0847															
15	Thu	0.0714															
16	Fri	0.0785															
17	Sat	0.0887	0.0747		4	2.4201		3.13		1.8937		0.306		0.1851			
18	Sun	0.0745															
19	Mon	0.0817															
20	Tue	0.0866		4		2.8907		8.73		6.309		0.384		0.2775			
21	Wed	0.0646															
22	Thu	0.0706															
23	Fri	0.0652															
24	Sat	0.068	0.073		4	2.8907		8.73		6.309		0.384		0.2775			
25	Sun	0.0632															
26	Mon	0.0537															
27	Tue	0.0716		6.6		3.9435		5.65		3.3759		18		10.755			
28	Wed	0.0885															
29	Thu	0.087															
30	Fri	0.0912															
31	Sat	0.0954	0.0787		8.6	3.9435		5.65		3.3759		18		10.755			
Avg		0.0683		4.7		2.623		7.5		5.6387		4.86		2.844			
Max		0.0954	0.0787	6.6	8.6	3.9435	3.9435	12.3	12.3	6.309	6.309	18	18	10.755	10.755		
Min		0.0251	0.0589	4	4	0.8378	0.8378	3.13	3.13	1.8937	1.8937	0.306	0.306	0.1586	0.1586		
Data		31	4	4	4	4	4	4	4	4	4	4	4	4	4	0	0

Percent Removal					Total Monthly Flow: (million gallons) 2.1181
Primary Treatment	NA	NA	NA	NA	Percent Capacity (actual flow/design) #####
Secondary Treatment	95	88.1	NA	NA	
Tertiary Treatment	39.4	77.3	NA	NA	
Overall Treatment	84.8	92.8	NA	NA	

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: June
Year: 2008

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Ronald Rockhill 7-23-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John L. Salis 7/24/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

Day Of Month	Day of Week	FINAL EFFLUENT															
		Flow		BOD				Total Suspended Solids				Ammonia				Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia- mg/l	
1	Sun	0.0093															
2	Mon	0.0091															
3	Tue	0.0086															
4	Wed	0.0064		7		0.0375		26.6		1.4251		0.367		0.0197			
5	Thu	0.0136															
6	Fri	0.0128															
7	Sat	0.0139	0.0102		7		0.375		26.6		1.4251		0.367		0.0197		
8	Sun	0.0139															
9	Mon	0.0166															
10	Tue	0.0191		8.82		1.4058		4.1		0.6535		0.217		0.0346			
11	Wed	0.009															
12	Thu	0.0098															
13	Fri	0.0096															
14	Sat	0.0096	0.0124		8.82		1.4058		4.1		0.6535		0.217		0.0346		
15	Sun	0.0098															
16	Mon	0.0103															
17	Tue	0.0098		4		0.3285		1		0.0821		0.381		0.0313			
18	Wed	0.0029															
19	Thu	0.0029															
20	Fri	0.0036															
21	Sat	0.0025	0.006		4		0.3285		1		0.0821		0.381		0.0313		
22	Sun	0.003															
23	Mon	0.0019															
24	Tue	0.0029		5.98		0.1437		12.5		0.3004		0.489		0.0118			
25	Wed	0.0038															
26	Thu	0.0036															
27	Fri	0.0039															
28	Sat	0.0039	0.0033		5.98		0.1437		12.5		0.3004		0.489		0.0118		
29	Sun	0.0042															
30	Mon	0.0038															
Avg		0.0077		6.5		0.323		11.7		0.6153		0.36		0.024			
Max		0.0191	0.0124	8.82	8.82	1.4058	1.4058	26.6	26.6	1.4251	1.4251	0.489	0.489	0.0346	0.0346		
Min		0.0019	0.0033	4	4	0.1437	0.1437	1	1	0.0821	0.0821	0.217	0.217	0.0118	0.0118		
Data		30	4	4	4	4	4	4	4	4	4	4	4	4	4	0	

Percent Removal					Total Monthly Flow:
Primary Treatment	NA	NA	NA	NA	(million gallons) 0.2311
Secondary Treatment	87.9	62.1	NA	NA	Percent Capacity
Tertiary Treatment	3.9	41.0	NA	NA	(actual flow/design) #####
Overall Treatment	87.4	77.7	NA	NA	

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: July
Year: 2008

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Ronald Rockhill 8-27-08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John P. Davis 8/28/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

Day Of Month	Day of Week	FINAL EFFLUENT														secondary ammonia- mg/L			
		Flow		BOD				Total Suspended Solids				Ammonia						Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average				
1	Tue	0.003		4		0.0998		7.14		0.1782		1.18		0.0294					
2	Wed	0.0076																	
3	Thu	0.0072																	
4	Fri	0.0073																	
5	Sat	0.0075	0.0058		4		0.0998	7.14		0.1782		1.18		0.0294					
6	Sun	0.0073																	
7	Mon	0.0081																	
8	Tue	0.0082		5.89		0.4035		4.24		0.2905		1.23		0.0843					
9	Wed	0.0077																	
10	Thu	0.0071																	
11	Fri	0.008																	
12	Sat	0.0079	0.0078		5.89		0.4035	4.24		0.2905		1.23		0.0843					
13	Sun	0.0071																	
14	Mon	0.0086																	
15	Tue	0.0078		12.3		0.8008		5.93		0.386		6.62		0.4309					
16	Wed	0.0032																	
17	Thu	0.0033																	
18	Fri	0.003																	
19	Sat	0.0038	0.0052		12.3		0.8008	5.93		0.386		6.62		0.4309					
20	Sun	0.0033																	
21	Mon	0.0037																	
22	Tue	0.0024																	
23	Wed	0.0023		4		0.0754		6.92		0.1305		0.479		0.008					
24	Thu	0.0043																	
25	Fri	0.0046																	
26	Sat	0.004	0.0035		4		0.0754	6.92		0.1305		0.479		0.008					
27	Sun	0.0042																	
28	Mon	0.0037																	
29	Tue	0.0043		4		0.1419		1.75		0.0621		2.7		0.0958					
30	Wed	0.0034																	
31	Thu	0.0039	0.0036		4		0.1419	1.75		0.0621		2.7		0.0958					
Avg		0.0054		6.0		0.3043		6.2		0.2084		2.44		0.1289					
Max		0.0086	0.0078	12.3	12.3	0.8008	0.8008	7.14	7.14	0.386	0.386	6.62	6.62	0.4309	0.4309				
Min		0.0023	0.0035	4	4	0.0754	0.0754	1.75	1.75	0.0621	0.0621	0.479	0.479	0.008	0.008				
Data		31	5	6	5	6	5	6	5	6	5	6	5	6	5	0	0		

Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	Total Monthly Flow: (million gallons) 0.1676
Primary Treatment	NA	NA			Percent Capacity (actual flow/design) #####
Secondary Treatment	88.2	86.8			
Tertiary Treatment	1.8	41.9			
Overall Treatment	88.4	92.7	NA	NA	

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
For Month Of: August
Year: 2008

Page 3 of 4 State Form 10629 (R/12-2006)

Maha. Bnoe 9/26/08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
Maha. Bnoe 9/26/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

		FINAL EFFLUENT															
Day Of Month	Day of Week	Flow		BOD				Total Suspended Solids				Ammonia				Other	
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Fri	0.036															
2	Sat	0.041															
3	Sun	0.031															
4	Mon	0.03															
5	Tue	0.016		4		0.5341		7.38		0.9854		2.61		0.3485			
6	Wed	0.044															
7	Thu	0.037															
8	Fri	0.034															
9	Sat	0.043	0.0336		4		0.5341	7.38		0.9854		2.61		0.3485			
10	Sun	0.039															
11	Mon	0.034															
12	Tue	0.024		20.8		4.1658		17		3.4048		27.2		5.4476			
13	Wed	0.031															
14	Thu	0.031															
15	Fri	0.031															
16	Sat	0.031	0.0916		20.8		4.1658	17		3.4048		27.2		5.4476			
17	Sun	0.031															
18	Mon	0.031															
19	Tue	0.028		4		0.9346		7.27		1.6987		0.549		0.1283			
20	Wed	0.023															
21	Thu	0.027															
22	Fri	0.026															
23	Sat	0.028	0.0277		4		0.9346	7.27		1.6987		0.549		0.1283			
24	Sun	0.029															
25	Mon	0.024															
26	Tue	0.023		4		0.7677		8.47		1.6257		0.361		0.0693		0.464	
27	Wed	0.031															
28	Thu	0.031															
29	Fri	0.031															
30	Sat	0.031	0.0286		4		0.7677	8.47		1.6257		0.361		0.0693			
31	Sun	0.031															
Avg		0.0309		3.2		1.8006		10.0		1.8226		0.789		0.1594		0.464	
Max		0.044	0.0336	20.8	20.8	4.1658	4.1658	17	17	3.4048	3.4048	27.2	27.2	5.4476	5.4476	0.464	
Min		0.016	0.0277	4	4	0.9346	0.9346	7.27	7.27	0.9854	0.9854	0.361	0.361	0.0693	0.0693	0.464	
Data		31	4	4	4	4	4	4	4	4	4	4	4	4	4	1	0

MONTHLY REMOVAL SUMMARY					Total Monthly Flow: (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	0.958
Primary Treatment	NA	NA			
Secondary Treatment	90.2	98.3			
Tertiary Treatment	10.1	12.4			
Overall Treatment	89.4	89.1	NA	NA	
					Percent Capacity (actual flow/design)

**Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant**

Name of Facility: Sugar Creek Utility
Permit Number: IN0038528
Per Month Of: October
Year: 2008

M. A. Bme 11/26/08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John P. Salis 11/26/08
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

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		FINAL EFFLUENT															
		Flow		BOD				Total Suspended Solids				Ammonia				Other	
Day of Month	Day of Week	Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Wed	0.026		9.25		2.007		20		4.3394		0.412		0.0894			
2	Thu	0.026															
3	Fri	0.0219															
4	Sat	0.0283	0.01658		9.25		2.007		20		4.3394		0.412		0.0894		
5	Sun	0.0331															
6	Mon	0.0289															
7	Tue	0.032		4		1.0682		12.2		3.2579		0.304		0.0812			
8	Wed	0.029															
9	Thu	0.0303															
10	Fri	0.0206															
11	Sat	0.0254	0.02847		4		1.0682		12.2		3.2579		0.304		0.0812		
12	Sun	0.0334															
13	Mon	0.0237															
14	Tue	0.0307		9.9		2.5363		16.7		4.2784		0.668		0.1711			
15	Wed	0.0263															
16	Thu	0.0255															
17	Fri	0.029															
18	Sat	0.0267	0.0279		9.9		2.5363		16.7		4.2784		0.668		0.1711		
19	Sun	0.0265															
20	Mon	0.01708															
21	Tue	0.01708															
22	Wed	0.01708		5.73		0.8167		14		1.9955		0.351		0.05			
23	Thu	0.01708															
24	Fri	0.01708															
25	Sat	0.0297	0.02023		5.73		0.8167		14		1.9955		0.351		0.05		
26	Sun	0.0252															
27	Mon	0.0283															
28	Tue	0.0281															
29	Wed	0.0273		4		0.8113		31.7		7.2218		0.424		0.0966			
30	Thu	0.026															
31	Fri	0.0263	0.02394		4		0.8113		31.7		7.2218		0.424		0.0966		
Avg		0.02679		5.6		1.4678		18.9		5.2188		0.43		0.0972			
Max		0.0334	0.02847	9.9		2.5363	2.5363	31.7	31.7	7.2218	7.2218	0.668	0.668	0.1711	0.1711		
Min		0.01708	0.01658	4		0.8167	0.8167	12.2	12.2	1.9955	1.9955	0.304	0.304	0.05	0.05		
Data		31	5	5	5	5	5	5	5	5	5	5	5	5	5	0	0

MONTHLY REMOVAL SUMMARY					Total Monthly Flow: (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	0.7996
Primary Treatment	NA	NA			
Secondary Treatment	NA	NA			
Tertiary Treatment	NA	NA			
Overall Treatment	96.0	91.2	98.7	NA	Percent Capacity (actual flow/design) #D(N/O)

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0038528
For Month Of: November
Year: 2008

Mahdi Bue 12/29/08
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
Mahdi Bue 1/29/09
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

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Day Of Month	Day of Week	FINAL EFFLUENT														
		Flow		BOD				Total Suspended Solids				Ammonia				Other
		Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia- mg/L
1	Sat	0.036														
2	Sun	0.036														
3	Mon	0.036														
4	Tue	0.031		4		1.0348		7.76		2.0075		0.344		0.089		
5	Wed	0.031														
6	Thu	0.031														
7	Fri	0.031														
8	Sat	0.031	0.03243		4		1.0348	7.76		2.0075		0.344		0.089		
9	Sun	0.031														
10	Mon	0.031														
11	Tue	0.031														
12	Wed	0.031		4		1.0348		10		2.587		0.265		0.0688		
13	Thu	0.043														
14	Fri	0.043														
15	Sat	0.043	0.03614		4		1.0348	10		2.587		0.265		0.0688		
16	Sun	0.043														
17	Mon	0.043														
18	Tue	0.043		4		1.4353		9.65		3.4628		0.199		0.0714		
19	Wed	0.036														
20	Thu	0.036														
21	Fri	0.036														
22	Sat	0.036	0.039		4		1.4353	9.65		3.4628		0.199		0.0714		
23	Sun	0.036														
24	Mon	0.036														
25	Tue	0.036		4		1.2017		8.77		2.6347		0.218		0.0655		
26	Wed	0.036														
27	Thu	0.036														
28	Fri	0.036														
29	Sat	0.036	0.036		4		1.2017	8.77		2.6347		0.218		0.0655		
30	Sun	0.036														
Avg		0.0359		4.0		1.1766		9.0		2.673		0.26		0.0738		
Max		0.043	0.039	4	4	1.4353	1.4353	10	10	3.4628	3.4628	0.344	0.344	0.089	0.089	
Min		0.031	0.03243	4	4	1.0348	1.0348	7.76	7.76	2.0075	2.0075	0.199	0.199	0.0655	0.0655	
Data		30	4	4	4	4	4	4	4	4	4	4	4	4	4	0

MONTHLY REMOVAL SUMMARY					Total Monthly Flow: (million gallons)
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	1.977
Primary Treatment	NA	NA			Percent Capacity (actual flow/design) #B1V10
Secondary Treatment	NA	NA			
Tertiary Treatment	NA	NA			
Overall Treatment	97.2	92.3	99.3	NA	

Monthly Report of Operation
Activated Sludge Type
Wastewater Treatment Plant

Name of Facility: Sugar Creek Utility
Permit Number: IN0036528
Per Month Of: December
Year: 2008

Mahq. Bruce 2/23/09
(SIGNATURE OF CERTIFIED OPERATOR) (DATE)
John P. Schmitt 2/24/09
(SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT) (DATE)

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		FINAL EFFLUENT															
		Flow		BOD				Total Suspended Solids				Ammonia				Other	
Day Of Month	Day Of Week	Effluent Flow Rate (MGD)	Effluent Flow Weekly Average	CBOD5 - mg/l	CBOD5 - mg/l Weekly Average	CBOD5 - lbs	CBOD5 - lbs/day Weekly Average	Susp. Solids - mg/l	Susp. Solids - mg/l Weekly Average	Susp. Solids - lbs	Susp. Solids - lbs/day Weekly Average	Ammonia - mg/l	Ammonia - mg/l Weekly Average	Ammonia - lbs	Ammonia - lbs/day Weekly Average	secondary ammonia - mg/L	
1	Mon	0.0557															
2	Tue	0.1033															
3	Wed	0.0804		7.13		4.7838		11.9		7.9842		0.207		0.1389			
4	Thu	0.0452															
5	Fri	0.0457															
6	Sat	0.0439	0.06004		7.13		4.7838		11.9		7.9842		0.207		0.1389		
7	Sun	0.0462															
8	Mon	0.0419															
9	Tue	0.0855															
10	Wed	0.0801															
11	Thu	0.058		4		1.936		6.67		3.2283		0.184		0.0939			
12	Fri	0.049															
13	Sat	0.045	0.05796		4		1.936		6.67		3.2283		0.184		0.0939		
14	Sun	0.0406															
15	Mon	0.0464															
16	Tue	0.0477															
17	Wed	0.046		4		1.5355		12.5		4.7984		0.187		0.0718			
18	Thu	0.0435															
19	Fri	0.1741															
20	Sat	0.0852	0.06907		4		1.5355		12.5		4.7984		0.187		0.0718		
21	Sun	0.0736															
22	Mon	0.0671		4		2.2398		8.47		4.7428		0.182		0.1019			
23	Tue	0.0512															
24	Wed	0.1511															
25	Thu	0.1038															
26	Fri	0.072															
27	Sat	0.0696	0.08406		4		2.2398		8.47		4.7428		0.182		0.1019		
28	Sun	0.1328															
29	Mon	0.0874		4		2.9174		6.45		4.7043		0.423		0.3085			
30	Tue	0.0671															
31	Wed	0.0555	0.0857		4		2.9174		6.45		4.7043		0.423		0.3085		
1	Thu																
2	Fri																
3	Sat																
Avg		0.07079		4.8		2.8828		9.2		6.0918		0.24		0.148			
Max		0.1741	0.0857	7.13	7.13	4.7838	4.7838	12.5	12.5	7.9842	7.9842	0.423	0.423	0.3085	0.3085		
Min		0.0406	0.05796	4	4	1.5355	1.5355	6.45	6.45	3.2283	3.2283	0.182	0.182	0.0718	0.0718		
Data		31	5	5	5	5	5	5	5	5	5	5	5	5	5	0	0

(B) TREATMENT PERFORMANCE					Total Monthly Flow:
Percent Removal	BOD5	S.S.	Ammonia	Phosphorus	(million gallons) 2,1946
Primary Treatment	NA	NA			Percent Capacity (actual flow/design) 118%
Secondary Treatment	NA	NA			
Tertiary Treatment	NA	NA			
Overall Treatment	91.9	89.6	98.4	NA	

**TESTIMONY OF MARGARET A. STULL
CAUSE NO. 43579
SUGAR CREEK UTILITY COMPANY, INC.**

I. Introduction

1 **Q: Please state your name and business address.**

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a
6 Utility Analyst II in the Water/Wastewater Division.

7 **Q: Please describe your background and experience.**

8 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
9 a Bachelor of Science degree in accounting. From 1982 to 1985, I held the position
10 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 until
11 2001 I worked for Enron in various positions of increasing responsibility and
12 authority; first in their gas pipeline accounting department, then in financial
13 reporting and planning, both for the gas pipeline group and the international group,
14 and finally providing accounting support for infrastructure projects in Central and
15 South America. From 2002 until 2003, I held non-utility accounting positions in
16 Indianapolis. In August 2003, I accepted my current position with the OUCC.

1 Since joining the OUCC I have attended the NARUC Eastern Utility Rate School in
2 Clearwater Beach, Florida.

3 **Q: Do you hold any professional licenses?**

4 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
5 Texas.

6 **Q: Have you testified previously before the Indiana Utility Regulatory**
7 **Commission ("IURC" or "Commission")?**

8 A: Yes.

9 **Q: What is the purpose of your testimony?**

10 A: I address Sugar Creek's proposed rate increase and specific revenue requirements. I
11 also propose pro forma adjustments to certain test year operating revenues and
12 expenses.

13 **Q: What have you done to formulate your opinions and prepare your testimony in**
14 **this Cause?**

15 A: I read Sugar Creek's pre-filed testimony and reviewed its schedules and work papers
16 filed in this Cause. I conducted a financial review of Sugar Creek's books and
17 records as they relate to this rate case. I read the settlement agreement and the
18 Commission's order for Cause No. 41913 and I reviewed the accounting schedules
19 filed as Attachment A to the settlement in this Cause. I also reviewed the filings and
20 discovery conducted in Cause No. 39891. Additionally, I reviewed Sugar Creek's
21 annual reports filed with the IURC for the years 1994, and 1997 through 2007. I

1 participated in the preparation of discovery questions and reviewed Sugar Creek's
2 responses. Finally, I attended the Triad Associates, Inc. public hearing conducted
3 pursuant to the requirements of the State Revolving Fund (SRF) and several
4 meetings with other OUCC staff members to identify and discuss the issues in this
5 cause.

6 **Q: Are you sponsoring any schedules with your testimony?**

7 A: Yes. The attached schedules reflect the issues and testimony of the OUCC
8 witnesses in this Cause. I am sponsoring the following accounting schedules, which
9 reflect rates without Sugar Creek's proposed water main/shut-off valve project
10 ("The Project"):

11 **Combined Schedules**

12	Schedule 1 --	Combined ¹ Revenue Requirement, Gross Revenue
13		Conversion Factor, and Reconciliation of Combined Net
14		Operating Income Statement Adjustments
15	Schedule 2 --	Combined Comparative Balance Sheet as of December 31,
16		2008, 2007, and 2006
17	Schedule 3 --	Combined Comparative Statement of Income for the Years
18		Ended December 31, 2008, 2007, and 2006
19	Schedule 4 --	<i>Pro Forma</i> Combined Net Operating Income Statement
20	Schedule 7 --	Calculation of Combined Rate Base
21	Schedule 8 --	Combined Tariff -- Current and Proposed Rates and
22		Charges

23 **Sewer Schedules**

24	Schedule 1S --	Sewer Revenue Requirement, Gross Revenue Conversion
25		Factor, and Reconciliation of Sewer Net Operating Income
		Statement Adjustments

¹ "Combined" schedules include both water and sewer.

1 Schedule 4S -- *Pro Forma* Sewer Net Operating Income Statement
2 Schedule 5S -- Sewer Revenue Adjustments
 Schedule 6S -- Sewer Operating Expense Adjustments
3 Schedule 7S -- Calculation of Sewer Rate Base

4 **Water Schedules (without The Project)**

5 Schedule 1W -- Water Revenue Requirement, Gross Revenue Conversion
6 Factor, and Reconciliation of Water Net Operating Income
7 Statement Adjustments
8 Schedule 4W -- *Pro Forma* Water Net Operating Income Statement
9 Schedule 5W -- Water Revenue Adjustments
10 Schedule 6W -- Water Operating Expense Adjustments
11 Schedule 7W -- Calculation of Water Rate Bas

12 Q: **Why is the cost of Sugar Creek's Project not reflected in your schedules?**

13
14 A: It is not certain that the Commission will approve the project. Moreover, even if it is
15 approved by the Commission, it is not certain that SRF will provide the requested
16 financing or that all other obstacles to the project will be overcome. Most
17 importantly, Sugar Creek would not be permitted to earn a return on and of its
18 investment in the project until the project is in service (i.e. used and useful).

19 Q: **Are any attachments submitted with your testimony?**

20 A: Yes. ~~I have the following attachments:~~

 MAS_Attachment 1 Sugar Creek's responses to OUCC discovery

 MAS Attachment 2 Test Year Income Statement Comparison

II. Rate Overview

1 **Q: Please provide an overview of Sugar Creek Utility Company's ("Sugar Creek")**
2 **proposal in this case.**

3 A: Sugar Creek proposes to increase its sewer rates by 29.5% from \$51.75 to a monthly
4 flat rate of \$67.00 per equivalent dwelling unit ("EDU"). Also, Sugar Creek
5 proposes two alternative scenarios for water rates: Scenario A, without The Project,
6 would increase rates by 148.9% from \$17.25 to a monthly flat rate of \$42.93 per
7 EDU, while Scenario B, which includes the water project, would increase rates by
8 271.3% to a monthly flat rate of \$64.05 per EDU. Currently, customers pay a
9 combined monthly flat rate of \$69.00 per EDU; Sugar Creek is proposing a
10 combined monthly flat rate of \$109.93 without the water project and \$131.05 with
11 the water project. These rate increases equate to an overall increase of 59.33%
12 without the water project and 89.93% with the water project. (Although Sugar
13 Creek's affiliated commercial customer Heartland Resort ("Heartland") has
14 expanded its operations since rates were last set, Sugar Creek does not propose any
15 change in the number of EDU's imputed to Heartland.)

16 Additionally, Sugar Creek is effectively requesting pre-approval of its water project.
17 Finally, Sugar Creek proposes to earn a return on and of an acquisition adjustment.

18 **Q: Briefly describe the OUCC's recommendation for rates and charges.**

19 A: The OUCC recommends an increase in Petitioner's revenues from \$90,857
20 to \$115,412. However, since more EDUs should be allocated to the utility's
21 commercial customer, Heartland, as described in Mr. Bell's testimony, this will

1 result in a decrease in the rates and charges per EDU. The OUCC recommends a
2 sewer rate decrease of 2.00% per EDU resulting in a flat monthly rate of \$50.71
3 per EDU. The OUCC recommends a water rate decrease of 10.81% per EDU
4 resulting in a flat monthly rate of \$15.38 per EDU, exclusive of the Project. Since
5 the Project is yet to be constructed, it cannot be included in rate base at this time.

6 Finally, the OUCC recommends that Sugar Creek update its tariff, through the 30-
7 day filing process, to include non-recurring charges such as tap fees for sewer and
8 water, bad check charge, customer deposit, disconnect/reconnect fee, and other
9 appropriate charges.

III. Revenue Requirements

10 **Q: Briefly describe how rates are determined for an investor-owned utility such as**
11 **Sugar Creek.**

12 **A:** For an investor-owned utility, rates are calculated by first determining the rate base
13 that is used and useful. (Utility Plant that is under construction or not ready for its
14 intended purpose is not used and useful and should not be included in rate base.)
15 Once rate base is establish, the utility's weighted average cost of capital is calculated
16 by analyzing its capital structure. The rate base is then multiplied by the weighted
17 average cost of capital to yield the return on rate base². This calculation determines
18 what the net operating income should be in order to provide an opportunity for a
19 reasonable return to the shareholders. Next, a determination is made as to the

² This statement assumes that the original cost rate base is equal to the fair value rate base.

1 amount of the adjusted (*pro forma*) net operating income based on the utility's
2 current rates. This determination is based on the known, historical test year revenues
3 and expenses updated to include changes that are fixed within the time period (12
4 months from the end of the test year – 12/31/09), known to occur, and measurable in
5 amount.

6 By subtracting the net operating income determined through the adjustment process
7 from the net operating income required by the return on rate base, one can determine
8 the dollar amount of the increase needed to achieve the net operating income that is
9 expected to provide a reasonable return to the shareholders. The increase to net
10 operating income is then "grossed up" for taxes and fees related to the increased
11 revenue and income. This process can be seen on Schedule 1, page 1 attached to this
12 testimony.

13 **Petitioner's Request**

14 **Q: What increase has Sugar Creek requested in this Cause?**

15 **A:** Sugar Creek has requested an across-the board annual revenue increase of \$20,084
16 for its sewer operations. Also, Sugar Creek has requested an annual increase of
17 \$33,818 for its water operations, without the proposed Project, or \$61,623 with the
18 Project. The combined revenue increase requested by Sugar Creek is \$53,901
19 without the Project and \$81,707 with the Project.

1 **OUCC's Recommendation**

2 **Q: What increase is the OUCC proposing in this Cause?**

3 A: The OUCC proposes an overall increase in sewer revenues of \$20,407 consisting of
4 an increase in present rate revenues of \$22,217 (after allocating more EDUS to the
5 commercial customer) and a decrease in proposed rate revenues of \$1,810. This
6 yields an overall decrease in residential revenues of \$3,429 and an overall increase
7 in commercial revenues of \$23,836.

8 The OUCC proposes an overall increase in water revenues of \$4,149 consisting of
9 an increase in present rate revenues of \$7,406 (after allocating more EDUS to the
10 commercial customer) and a decrease in proposed rate revenues of \$3,257. This
11 yields an overall decrease in residential revenues of \$1,620 and an overall increase
12 in commercial revenues of \$6,678 (Please see Table MAS-1 for a comparison of the
13 combined revenue requirements proposed by Sugar Creek and the OUCC.)

**Table MAS-1: Comparison of Combined Revenue Requirements
(Without the Project)**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Original Cost Rate Base	\$ 295,496	\$ 114,735	\$ (180,761)
Times: Weighted Cost of Capital	10.06%	10.00%	-0.0600%
Net Operating Income Required for Return on Rate Base	29,727	11,474	(18,253)
Less: Adjusted Net Operating Income	(23,419)	16,334	39,753
Net Revenue Requirement	53,146	(4,860)	(58,006)
Gross Revenue Conversion Factor	101.42%	104.27%	2.850%
Recommended Revenue Increase	<u>\$ 53,901</u>	<u>\$ (5,068)</u>	<u>\$ (58,969)</u>
Recommended Percentage Increase	<u>59.33%</u>	<u>-4.21%</u>	<u>-63.54%</u>

IV. Rate Base

Q: What rate base value does Sugar Creek propose?

A: Sugar Creek proposes a 12/31/08 original cost sewer rate base of \$180,219 and a 12/31/08 original cost water rate base of \$115,276 for a combined rate base of \$295,495 (without the Project). Sugar Creek proposes to include an additional \$272,500 of proposed Project costs in rate base which would yield a combined rate base of \$567,995.

Q: Do you accept Sugar Creek's proposed rate base value?

A: No. I disagree with Sugar Creek's proposal for several reasons. First, I disagree with Sugar Creek's proposed current year capital costs. Next, there are prior year rate base additions that Sugar Creek has included that are inappropriate or unsupported. Sugar Creek also included favorable ratemaking treatment on an

1 acquisition adjustment without establishing the qualification for such ratemaking
2 treatment.

3 **Q: What rate base value does the OUCC recommend?**

4 **A:** The OUCC recommends a 12/31/08 original cost sewer rate base of \$90,440, and a
5 12/31/08 original cost water rate base of \$24,295 for a combined rate base of
6 \$114,735 (without the Project). The full calculation can be found in schedules 7, 7S,
7 and 7W. Table MAS-2 presents a comparison of the OUCC's and Petitioner's rate
8 base calculations.

**Table MAS-2: Comparison of Combined Rate Base
(Without Water Project)**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Utility Plant in Service at 12/31/08	\$ 280,806	\$ 280,806	\$ -
Add: 2008 Capital Costs	29,495	16,403	(13,092)
Less: Prior Year Heartland Asset Additions	-	(121,362)	(121,362)
Unsupported Asset Additions		(7,428)	(7,428)
Gross Utility Plant in Service	310,301	168,419	(141,882)
Less: Accumulated Depreciation	74,323	74,323	-
Plus: Accumulated Depreciation on disallowed Improvements	-	(12,008)	(12,008)
Net Utility Plant in Service	235,978	106,104	(129,874)
Unamortized Acquisition Adjustment	48,672	-	(48,672)
Working Capital	10,846	8,631	(2,215)
Total Original Cost Rate Base	<u>\$ 295,496</u>	<u>\$ 114,735</u>	<u>\$ (180,761)</u>

1 **Current Year Capital Costs**

2 **Q: Please explain Sugar Creek's proposed current year capital costs.**

3 A: Sugar Creek proposes to capitalize \$13,296 of sewer costs that were expensed
4 during the test year and \$16,199 of water costs. Sewer utility costs consist of \$3,954
5 (ITT Water & Wastewater) and \$9,342 (Hydraserve) for the replacement of sewer
6 pumps. These costs were initially expensed during the test year. Water utility costs
7 consist of:

8 1) \$3,107 (R. Turner Plumbing) for the installation of three
9 meter pits and shut-off valves during the test year.

10 2) \$11,461 (Bose McKinney) for legal costs incurred during the
11 test year.

12 3) \$1,630 (unknown) – no explanation could be found in Sugar
13 Creek's case-in-chief for this amount

14 **Q: Please explain how your current year capital costs differ from Sugar Creek's.**

15 A: I accept Sugar Creek's capitalization of sewer pump costs expensed during the test
16 year (Schedule 6S, Adjustment 8). However, I disagree with Sugar Creek's current
17 year capitalized water costs. I accept its capitalization of 50% of the costs for
18 repairing leaks and installing meter pits and shut-off valves. However, I do not
19 agree with Sugar Creek's capitalization of test year legal costs. These costs relate
20 primarily to the investigation, Cause No. 43534, or they are related to non-utility
21 matters. The investigation costs are not recoverable and the non-utility matters are
22 not appropriate for recovery through rates. I have incorporated the legal costs
23 related to this rate case in my rate case amortization adjustment (Schedule 6W,
24 Adjustment 3).

Prior Year Capital Improvements

Q: How does Sugar Creek's proposed rate base value in this cause compare to its value in its last rate review?

A: Sugar Creek's rates were last set in Cause No. 41913. In that Cause, gross utility plant was determined to be \$151,945 as of 12/31/99. In response to discovery question Q-3 in this cause, Sugar Creek provided the following information regarding capital improvements made from 1999 through 2008.

Table MAS-3: Asset Additions per Sugar Creek

Description	Date	Water	Sewer	Total
Plant @ 12/31/98		\$ 28,042	\$ 87,110	\$ 115,152
Loadcaster	5-Mar-99	746	-	746
2" meters (3)	15-Oct-99	1,994	-	1,994
Sewer plant improvements	15-Aug-99		34,126	34,126
Plant @ 12/31/99		30,782	121,236	152,018
Sewer line improvements	1-Dec-00		22,000	22,000
Water line additions	15-Jun-01	31,672		31,672
Sewer/Water line additions (700 Section)	15-Jun-02	33,845	33,845	67,690
Hydraserve (pump)	25-Jul-07		3,719	3,719
Hydraserve (pump)	4-Sep-07		3,708	3,708
Plant @ 12/31/08 per books		<u>\$ 96,299</u>	<u>\$ 184,508</u>	<u>\$ 280,807</u>

The information in the schedule above shows a balance in utility plant of \$152,018 at 12/31/99. This amount is less than \$100 different from the amount determined in Cause No. 41913. Therefore, the focus of my review is the asset additions from 2000 through 2008.

1 **Q: Please explain the capital improvements that the OUCC has excluded from rate**
2 **base.**

3 A: Sugar Creek was unable to provide support or documentation for any of the asset
4 additions since 1999. Upon further investigation, I concluded that the sewer and
5 water line additions and improvements were improvements made to Heartland's
6 water and sewer mains to extend services to additional campground sites. As such,
7 these improvements were not extension's of the utility's collection or distribution
8 system but were expansions of Heartland's operations. The utility's other
9 customers, its Riley Village customers, should not be required to pay for those
10 expansions. To the extent that any of these improvements were not made to
11 Heartland, they should likewise be excluded since no support is provided to justify
12 their inclusion in rate base.

13 For this same reason, I have excluded the lift station pumps purchased in 2007.
14 Sugar Creek has provided no support for these assets, and they should be excluded
15 from rate base.

16 **Q: What is the basis for your opinion that these plant additions were an expansion**
17 **of Heartland's operations?**

18 A: My opinion is based on Sugar Creek's responses to discovery regarding these plant
19 additions. The OUCC asked several questions regarding the additions to utility plant
20 since 1998, which increased from \$115,152 to \$280,807 or an increase of 144%.
21 The increase in Sugar Creek's utility plant since 1999 is \$128,789, or an increase of
22 approximately 87%. Given that there was no increase in commercial customers and

1 only one increase in residential customers during that same time period, this increase
2 to utility plant seemed incongruous. Furthermore, Sugar Creek's responses to
3 discovery indicated that the "plant expansions" were not truly expansions of the
4 utility's plant but should be considered expansions of the commercial customer's
5 plant.

6 **Q: Please summarize the OUCC's discovery questions relative to prior year asset**
7 **additions.**

8 **A:** The OUCC asked for a list of all asset additions and retirements for the period 1999
9 through 2008 (Q-3), support for all asset additions during this same period (Q-3, Q-
10 63, Q-110, Q-111) and an explanation of each addition including, but not limited to,
11 the location, size, and cost of each component (Q-65 through Q-69). (See MAS
12 Attachment1)

13 **Q: What was Sugar Creek's response to the OUCC's discovery questions**
14 **requesting support for these prior year asset additions?**

15 **A:** In response to the OUCC's request for any and all invoices to support these asset
16 additions, discovery Q-3, no response to that part of the question was provided. The
17 OUCC asked the question again in discovery Q-63 and Sugar Creek responded:

18 "Copies of the invoices for plant additions in 2008 were included in
19 workpapers filed on January 30, 2009. The copies of 2007 invoices
20 (wastewater) are attached. All other additions were prior to June 30,
21 2002 and copies of these invoices (additions) could not be located."

22 Although the OUCC was able to locate the documentation that supported the 2008
23 additions, the support for 2007 asset additions was not attached as stated. Per the

1 schedule provided by Sugar Creek, there were two plant additions in 2007 – two
2 Hydraserve lift station pumps. None of the invoices provided in response to Q-63
3 were from Hydraserve or for pumps. The invoices provided were either completely
4 indecipherable or were for items that weren't capitalized. The OUCC asked for the
5 Hydraserve invoices again in discovery Q-111, which is due on Thursday, April 6,
6 2009. (As of the filing of this testimony, we have not received the response to this
7 question.)

8 **Q: What was Sugar Creek's response to the OUCC's discovery questions**
9 **requesting additional information for each addition?**

10 **A:** Sugar Creek objected to providing the information by asserting that the
11 information requested was "...irrelevant, as it relates to expenses and
12 projects undertaken by the utility ... years ago, and as such, is beyond the
13 scope of this proceeding." (Objection to Q-65 and Q-66)

14 To the OUCC's Q-65, Sugar Creek's response was the following:

15 **Please answer the following questions regarding the asset**
16 **additions in the schedule provided in response to OUCC DR Q-**
17 **3:**

18
19 **a) What is a "loadcaster" and what is it used for?**

20 *A loadcaster is a device that can be used to soften the spike*
21 *in power when well pumps come on.*

22 **b) Where on Sugar Creek's water system are each of the three**
23 **2" meters placed that were installed in 1999 (\$1,994)? Are the**
24 **three 2" meters in use? Please provide all meter readings**
25 **from the three (3) 2" meters since their installation.**

26 *The tax return suggests there are 3 meters. The owner says*
27 *there are only 2 meters.*

- 1 c) Regarding the \$34,126 of "sewer plant improvements" made
2 on 8/15/1999, state the exact improvement and the cost for
3 each.

4 *As stated in Q-63, it is difficult to state the exact cost for the*
5 *improvement without the actual invoice.*

- 6 d) Regarding the \$22,000 of "sewer line improvements" made in
7 December 2000, state the location of the improvements on
8 Sugar Creek's sewer system, the nature of the improvements,
9 the size of the lines installed, and the cost of each component
10 of the improvements installed.

11 *The location is in Section 800. The size of the lines is 6".*
12 *The exact cost of each component is difficult without the*
13 *invoice.*

- 14 e) Do the "sewer line improvements" of December 2000
15 represent new sewer line installations or replacement sewer
16 lines?

17 *New.*

- 18 f) If the December 2000 "sewer line improvements" are
19 replacement lines, please provide the amount, if any, of the
20 sewer lines retired. If no plant retirements are recorded,
21 please explain why not.

22 *Not applicable.*

23 Discovery question Q-66, and Sugar Creek's response is as follows:

24 **For each of the following additions, state the location, the size of**
25 **the line, and the cost of each component of the addition:**

- 26
27 a) The \$31,672 of "water line additions" made in June 2001

28 *Section 800. New 2" lines. The cost of each component*
29 *could not be determined without the invoice. Information for*
30 *total cost is included on tax return.*

- 31 b) The \$33,845 of "water line additions" made in June 2002

32 *Section 700. New 2" lines. The cost of each component*
33 *could not be determined without the invoice. Information for*
34 *the total cost is included on tax return.*

1 **c) the \$33,845 of "sewer line additions" made in June 2002**

2 *Section 700. New 6" lines. The cost of each component*
3 *could not be determined without the invoice. Information for*
4 *total cost is included on tax return.*

5 Based on Sugar Creek's responses to Q-65 and Q-66, all of the water and
6 sewer line additions or improvements were made to either Section 700 or
7 Section 800 of Heartland's campground facilities. Given that these
8 improvements were improvements to the utility's affiliated commercial
9 customer; these improvements should not be included in Sugar Creek's rate
10 base.

11 **Q: Did you make an adjustment to accumulated depreciation for the asset**
12 **additions you excluded from rate base?**

13
14 **A:** Yes. A review of Sugar Creek's IURC annual reports for the years 2000
15 through 2007 provided the information necessary to determine the amount of
16 accumulated depreciation pertaining to the excluded asset additions

17 **Acquisition Adjustment**

18 **Q: Is Sugar Creek seeking both a return on and a return of an acquisition**
19 **adjustment as part of its proposed rates in this cause?**

20
21 **A:** Yes. Sugar Creek allocates a \$50,000 acquisition adjustment 66% (\$32,853) to the
22 sewer utility (Account Schedule page S16 & S22) and 34% (\$17,147) to the water
23 utility (Accounting Schedule page W16 & W24). Pages S16 and W16 show Sugar
24 Creek's request to earn a return of its proposed acquisition adjustment and page S22
25 and W24 show Sugar Creek's request to a earn a return on its proposed acquisition
26 adjustment.

1

2 **Q: When and what transaction generated the proposed acquisition adjustment.**

3

4 A: Sugar Creek's current owner purchased Sugar Creek Utilities and Heartland
5 Campground out of bankruptcy through an auction in June 1995. Mr. Salis allocated
6 \$150,000 of his total purchase price of \$455,000 to the Utility. (See response to
7 discovery question Q-87(a).)

8 **Q: Do you agree with Sugar Creek's proposal to earn both a return on and a**
9 **return of its proposed acquisition adjustment?**

10 A: No.

11 **Q: Why do you disagree with Sugar Creek's proposal to earn both a return on and**
12 **a return of its proposed acquisition adjustment?**

13 A: Sugar Creek has provided no analysis or testimony to justify its proposed favorable
14 ratemaking treatment on its acquisition adjustment. In particular, Sugar Creek does
15 not show how its acquisition of Sugar Creek Utilities led to either improved
16 operating efficiencies or reduced cost of service or that the price paid for the utility
17 was reasonable.

18 **Q: Will you address each of your concerns in greater detail below?**

19 A: Yes.

Support for Favorable Ratemaking Treatment

20 **Q: What support did Sugar Creek provide to support its proposed favorable**
21 **ratemaking treatment on its acquisition adjustment?**

22 A: Sugar Creek provides no testimony or analysis to justify why it should be authorized
23 to earn a return on or a return of its proposed acquisition adjustment. Moreover, the

1 OUCC asked Sugar Creek several data request questions regarding its proposed
2 acquisition adjustment (Q-18(a-f), Q-41, & Q-42). None of the answers offered by
3 Sugar Creek provide any analysis that the OUCC can rely on to support the
4 proposed acquisition adjustment. In Q-41 & Q-42, Sugar Creek did not provide the
5 requested information arguing that such information is “irrelevant and unlikely to
6 lead to admissible evidence.” Moreover, Sugar Creek was unable to provide the
7 journal entry used to generate its proposed acquisition adjustment. A copy of the
8 OUCC’s data request and Sugar Creek’s responses has been provided as MAS
9 Attachment No. 1 to this testimony.

10 **Q: Are different criteria used to determine whether there should be a return *on* an**
11 **acquisition adjustment as opposed to a return *of* an acquisition adjustment?**

12 **A:** Yes. Historically, the Commission uses separate criteria to determine whether a
13 return on an acquisition adjustment is merited, than it uses to determine if a return of
14 the acquisition adjustment is merited. For instance, the Commission’s order in
15 Indiana American Water Company, Cause No. 40103 separately discusses the bases
16 that the Commission relies on to authorize and allow the recovery of either a return
17 on and/or a return of an acquisition adjustment. However, in this cause, Sugar Creek
18 does not indicate any distinction between a return on and return of its proposed
19 acquisition adjustment. In OUCC data request question Q-18(d), the OUCC asked
20 “Why does Sugar Creek believe it is entitled to earn a return on its acquisition
21 adjustment?” While question Q-18(e) asks “Why does Sugar Creek believe it is
22 entitled to earn a return of its acquisition adjustment?” Sugar Creek provided the

1 same response to both questions. The Sugar Creek response was "The \$50,000
2 acquisition adjustment is the amount reflected on Sugar Creek's books and the
3 amount reported in its annual reports to the IURC. It is the difference between the
4 purchase price and the book value of the acquired utility assets. Indiana is a fair
5 value state. The acquisition adjustment is the mechanism in which the book value is
6 increased to reflect the fair value of Petitioner's plant value; therefore, utilities are
7 entitled to earn a return on its fair value rate base."

8 **Q: Hasn't Sugar Creek Utilities' acquisition adjustment and subsequent recovery**
9 **already been determined?**

10 A: No. While Sugar Creek argues in its data request response: "The "appropriateness"
11 of the premium is not at issue and has already been decided by stipulation." (See
12 Sugar Creek's response to OUCC discovery question Q-41.) Sugar Creek is
13 incorrect in suggesting that the ratemaking treatment of the acquisition has been
14 decided. The settlement agreement in Cause No. 41913 dated June 29, 2001,
15 allowed Sugar Creek to record an accounting acquisition adjustment, but the parties
16 specifically agreed to "...defer consideration of the ratemaking treatment for the
17 acquisition adjustment until Sugar Creek's next rate case." Thus, to the extent Sugar
18 Creek seeks to recover an acquisition adjustment, it needs to provide analysis and
19 support that the IURC can rely on to authorize the requested ratemaking treatment.
20 There is a distinction between a utility simply recording an acquisition adjustment
21 for accounting purposes and allowing a utility to recover an acquisition adjustment
22 for ratemaking purposes. **Reasonableness of Request**

1 **Q: Do you believe it is reasonable for Sugar Creek to recover its proposed**
2 **acquisition adjustment?**

3 A: The utility and campground were purchased out of bankruptcy. One would expect
4 that any property purchased out of bankruptcy would be purchased at a discount, not
5 a premium. Yet, Sugar Creek requests authority to recover a 50.0% premium on the
6 book value of the property it purchased out of bankruptcy. Moreover, Sugar Creek
7 has provided no testimony regarding the allocation of any premium to the non-
8 regulated portion of the property purchased. To the extent a premium was paid,
9 Sugar Creek needs to justify how much of that premium should be allocated to the
10 regulated utility and how much should be allocated to the unregulated
11 campground/resort. Sugar Creek has an incentive to allocate most, if not all, of any
12 premium paid to the regulated utility and none of the premium to its unregulated
13 property. Sugar Creek's inability or unwillingness to provide information about
14 how the premium was allocated between its properties raises questions.

15 **Q: In your opinion, what has been the historical regulatory treatment given to**
16 **acquisition premiums?**

17 A: Acquisition premiums have historically not been included in rate base or given
18 above the line treatment for ratemaking purposes.

19 **Q: In your opinion, what basis is used to support this treatment?**

20 A: Abuses from the 1920's and 1930's created the need to adopt the "original cost"
21 concept in setting rates. In the 1920's and 1930's, utilities were acquiring other
22 utility properties for amounts in excess of net book value. As a result, inflated rate

1 bases were created through transactions that lacked any economic substance. When
2 included for ratemaking treatment, this means customers would be paying a
3 premium through higher rates for the same property that had been providing them
4 utility service. Regulators noticed that if utilities were allowed to earn a return on
5 investment in excess of original cost, investors would realize unreasonably high
6 profits. Accordingly, regulators determined that it was not reasonable to charge
7 customers higher rates for the same utility property simply because the utility
8 providing service was acquired by another company. (Hahne & Aliff, Accounting
9 for Public Utilities (Matthew Bender) 4.04[2], p.4-9, 4-10.)

10 **Q: Why, in your opinion, did regulators determine it was not reasonable to charge**
11 **customers higher rates for the same utility property?**

12 **A:** Regulators have granted public utilities a monopoly for their services. Under this
13 status, a regulatory compact was formed providing public utility companies certain
14 privileges in exchange for certain obligations, which are not afforded to non-
15 regulated, competitive businesses. The utility's obligations include the provision of
16 safe and reliable utility service at a non-discriminatory, reasonable rate. Privileges
17 given to the public utility include exclusive service territory and the opportunity to
18 recover all reasonably and prudently incurred costs and to receive a fair return on
19 prudent investment. In return for this protection, utilities have generally been
20 prohibited from earning unreasonably high profits.

21 **Q: Does the commission have guidance when approving acquisition adjustments?**

1 A: Yes, it does. The Commission has stated in numerous orders, including Cause No.
2 37962 and 37579, that an acquisition adjustment is not permitted above the line
3 treatment unless the following can be clearly demonstrated:

- 4 1. The acquisition was the result of an arm's-length transaction and at a
5 reasonable price,
- 6 2. The acquisition leads to benefits to the customer; and;
- 7 3. The acquisition provides operating efficiencies and is in the public
8 interest.

9 Several authorities such as James E. Suelflow's Public Utility Accounting: Theory
10 and Application, and James C. Bonbright's Principles of Public Utility Rates,
11 support such criteria and have been relied upon by this Commission.

12 **Q: Has Sugar Creek met all of these criteria?**

13 A: No. Since this utility was not purchased by a larger operation and integrated into a
14 larger utility, it seems unlikely that any operating efficiencies would have been
15 generated as a result of this utility being purchased. In any event, Sugar Creek
16 provided no evidence to demonstrate that the acquisition provided any operating
17 efficiencies, cost savings or other benefits to the ratepayers. In addition, Sugar
18 Creek has not provided any proof that the price paid for the utility was reasonable.
19 In deed, since the campground and utility was purchased out of bankruptcy, it seems
20 unnecessary for Mr. Salis to have paid a premium. Sugar Creek seems to rely on
21 the fact that the OUCC agreed to Sugar Creek recording an accounting acquisition
22 adjustment as support for the ratemaking treatment it now seeks. Moreover, it is not
23 necessary that the price be reasonable to determine whether a utility should be

1 permitted to record an accounting acquisition adjustment for accounting purposes.

2 However, it is necessary for purposes of favorable ratemaking treatment.

3 **Working Capital**

4 **Q: Briefly describe how working capital is calculated for an investor-owned utility**
5 **such as Sugar Creek.**

6 **A:** Working capital is the money a utility needs to pay its operating expenses necessary
7 to provide service until the revenues from that service are collected. Some expenses
8 are incurred and paid for before the related revenues are collected and other
9 expenses are paid for after the related service revenues are collected (paid for "in
10 arrears"). Working capital is the net amount of money needed on an ongoing basis
11 to fund daily utility operations. Working capital is considered an investment
12 necessary for providing utility service and is included in rate base for investor owned
13 utilities

14 **Q: How does the OUCC's calculation of Working Capital differ from Sugar**
15 **Creek's?**

16 **A:** A comparison of working capital calculations is presented in Table MAS-4 below.
17 Due to various expense adjustments, operation and maintenance expense differs by
18 \$10,524. Both Sugar Creek and the OUCC excluded purchased power expenses, but
19 Sugar Creek only eliminated \$9,600 of the \$16,800 expensed during the test year.

Table MAS-4: Calculation of Combined Working Capital

	<u>Petitioner</u>	<u>OUC</u>	<u>OUC</u> <u>More (Less)</u>
Operation & Maintenance Expense	\$ 96,369	\$ 85,845	\$ (10,524)
Less: Purchased Power	9,600	16,800	7,200
Adjusted Operation & Maintenance Expense	86,769	69,045	(17,724)
Times: 45 Day Factor	12.5%	12.5%	12.5%
Working Capital Requirement	<u>\$ 10,846</u>	<u>\$ 8,631</u>	<u>\$ (2,215)</u>

V. Cost of Capital and Capital Structure

1 **Q:** Sugar Creek uses a capital structure that includes \$289,565 of equity at 12.0%
2 and \$272,500 of long term debt at 8.0%. Do you agree that Sugar Creek should
3 include long term debt in its capital structure?
4

5 **A:** Not at this time. Sugar Creek does not have long term debt and does not presently
6 have Commission authority to issue debt. Until Sugar Creek at least has authority to
7 issue long term debt, Sugar Creek should not include debt in its capital structure.

8 **Q:** Should Sugar Creek receive authority to issue long term debt, should that debt
9 be included in the capital structure?
10

11 **A:** If the debt is used exclusively for the proposed project and residential customers are
12 charged for the project through a separate surcharge, then the project (additional
13 plant) should not be included in rate base and the cost of the debt should be
14 recovered through a finite surcharge imposed only against the residential customers
15 and should not be included in Sugar Creek's capital structure.

1 **Q: Do you agree with Sugar Creek's proposed cost of debt?**

2 A: No. At this time Sugar Creek is planning to borrow debt through the Indiana State
3 Revolving Fund (SRF) and may be eligible for low cost Federal Stimulus Funding.
4 Even without access to Federal Stimulus funding the interest rates on SRF debt are
5 well below 8.0%. However, since the OUCC is proposing to remove debt from the
6 capital structure, the cost of debt is not meaningful at this time.

7
8 **Q: As described above, Sugar Creek uses a cost of equity of 12.0% to estimate its**
9 **proposed cost of capital of 10.06%. Do you agree with a cost of equity of**
10 **12.0%?**

11
12 A: No. A 12.0% cost of equity currently exceeds the cost of equity authorized by this
13 Commission in small utility rate cases. Moreover, if debt is not included in the
14 capital structure, Sugar Creek would have a capital structure that is 100.0% equity,
15 and a lower cost of equity should be used. For this rate case I have used a cost of
16 equity and cost of capital of 10.0%. Despite the changes recommended by the
17 OUCC, our proposed cost of capital is almost identical to Sugar Creek's proposed
18 cost of capital of 10.06%.

19

VI. Pro Forma Net Operating Income

20 **Q: When looking at Net Operating Income, what schedules can we refer to for**
21 **details of *pro forma* amounts and adjustments to test year amounts?**

22 A: Schedules 3, 4S, 5S, 6S, 4W, 5W, and 6W provide detail of test year amounts and
23 adjustments to test year amounts to yield *pro forma* net operating income for sewer
24 and water operations. Schedule 3 is the detailed test year income statement.

1 Schedule 4S is the sewer *pro forma* net operating income statement. It shows the
2 sewer test year revenues and expenses, the adjustments to test year amounts, and the
3 resulting sewer *pro forma* income under current rates. The second column of
4 adjustments shows the revenue increase or decrease necessary to achieve the
5 required net operating income. It also shows the expenses that will change due to
6 the change in revenue. Schedule 5S provides detail for the sewer *pro forma* revenue
7 items that needed to be adjusted from the test year amounts. Schedule 6S provides
8 the detail for sewer *pro forma* expense items that needed to be adjusted from the test
9 year amounts.

10 Schedule 4W is the water *pro forma* net operating income statement. It shows the
11 water test year revenues and expenses, the adjustments to test year amounts, and the
12 resulting water *pro forma* income under current rates. The second column of
13 adjustments shows the revenue increase or decrease necessary to achieve the
14 required net operating income. It also shows the expenses that will change due to
15 the change in revenue. Schedule 5W provides detail for the water *pro forma*
16 revenue items that need to be adjusted from the test year amounts. Schedule 6W
17 provides the detail for water *pro forma* expense items that need to be adjusted from
18 the test year amounts.

19 **Q: Do you agree with Sugar Creek's calculation of test year net income for the**
20 **water and sewer utilities?**

21 **A:** No. Although I accept the combined test year net loss of \$49,110, I do not agree
22 with Sugar Creek's allocation of certain operating expenses between the water and

1 sewer utilities. First, there is no consistency in Sugar Creek's methodology.
2 Sometimes they allocate expenses fifty-fifty (50%/50%) and at other times expenses
3 are allocated seventy-five/twenty-five (75%/25%). Also, some expenses that only
4 benefit one utility are allocated to both utilities.

5 **Q: Please explain your methodology for allocating expenses between the water and**
6 **sewer utilities.**

7 A: Generally, I allocated expenses charged to both utilities as 75% sewer and 25%
8 water. Sugar Creek's rates are designed to collect 75% of total revenues from the
9 sewer utility and 25% from the water utility. I believe that this relationship is based
10 on the pro rata utility plant attributed to each utility upon Mr. Salis's purchase of
11 these utilities in 1995 (\$75,000 sewer and \$25,000 water). Allocating expenses in
12 this manner more closely matches the revenues collected with the operating
13 expenses incurred.

14 **Q: Please explain the changes that you made in your allocation of expenses**
15 **between the water and sewer utilities.**

16 A: MAS Attachment 2 shows the detailed changes made to test year net income.

17 **Q: Did you make any other changes to test year water and sewer utility income**
18 **statements?**

19 A: Yes. I corrected the amount of revenue attributed to residential and commercial
20 customers to reflect the amounts recorded in Sugar Creek's general ledger.
21 Specifically, I reclassified \$323 of water revenues and \$1,521 of sewer revenues for
22 a total reclassification of \$1,844 of revenues from residential to commercial.

23 I also reclassified \$1,332 (\$921 (water) + \$411 (sewer)) of operating
24 expenses from miscellaneous expenses to regulatory expenses.

VII. Revenue Adjustments

Q: Did Sugar Creek propose any *pro forma* operating revenue adjustments?

A: No.

Q: Are you proposing any *pro forma* operating revenue adjustments?

A: Yes. I am proposing three *pro forma* revenue adjustments each for water operations and sewer operations. First, I propose an adjustment to water and sewer commercial revenues to reflect 31.57 EDUs at the current rate per EDU of \$51.75 for sewer and \$17.25 for water, or a combined rate of \$69.00. Second, I propose an adjustment to residential water and sewer revenues to reflect the annual revenues from 76.0 EDUs at current rates or 52.2% of total revenues. Finally, I propose an adjustment to water and sewer commercial revenues to reflect the annual revenues from 69.5 EDUs at current rates or 47.8% of total revenues.

Q: Please explain your adjustment to commercial revenues to reflect current rates.

A: Per the settlement in Cause No. 41913, rates were decreased from \$80.84 to \$65.00 per EDU for water and sewer service. These rates were in effect for twenty-four (24) months, beginning July 1, 2001. Thereafter, Sugar Creek was authorized to increase its rates and charges for water and sewer service to \$69.00 per month per EDU (\$17.25 for water service and \$51.75 for sewer service). Although Sugar Creek increased rates for its residential customers, it never increased the rates it charged its commercial customer. During the test year, Sugar Creek recorded total revenues of \$24,617 from its commercial customer, or 31.57 EDUs at \$65.00 per EDU. Schedule 5S, Adjustment 2 yields a *pro forma* increase of \$1,145 to test year

commercial sewer revenues. Schedule 5W, Adjustment 2 yields a *pro forma* increase of \$386 to test year commercial water revenues.

Q: Please explain the allocation of revenues that you are proposing in this Cause.

A: As discussed more fully in the testimony of Mr. Bell, the OUCC is proposing an adjustment to the number of EDU's imputed to Sugar Creek's affiliated customer, Heartland Resort. Per Mr. Bell's calculations, Heartland's facilities should be considered to represent the equivalent of 77 EDUs. There are currently 84 homes in Riley Village. This yields a revenue allocation of 52.2% for residential revenues and 47.8% for commercial revenues.

Current Dwelling Units --

Residential	84	52.2%
Commercial	77	47.8%
	<u>161</u>	

However, not all of the 84 homes represent a customer for Sugar Creek. There are approximately eight (8) homes currently unoccupied. Therefore, I have adjusted residential revenues to reflect 76 EDUs (84 – 8). To maintain the same allocation of revenues between residential customers and the commercial customer, I have adjusted commercial revenues to reflect 69.5 EDUs. Schedule 5S, Adjustment 1 yields a *pro forma* decrease of \$2,484 to test year residential sewer revenues while Schedule 5S, Adjustment 3 yields a *pro forma* increase of \$23,556 to test year commercial sewer revenues. Likewise, Schedule 5W, Adjustment 1 yields a *pro forma* decrease of \$828 to test year residential water revenues while Schedule 5W,

Adjustment 3 yields a *pro forma* increase of \$7,848 to test year commercial water revenues.

<u>Current Equivalent Dwelling Units</u>			<u>Equivalent Dwelling Units for Rate Purposes</u>		
Residential	84.0	52.2%	Residential	76.0	52.2%
Commercial	77.0	47.8%	Commercial	69.5	47.8%
	<u>161.0</u>			<u>145.5</u>	

VIII. Operating Expense Adjustments

Q: What adjustments to test year operating expense did Sugar Creek propose to its test year operating expense?

A: Sugar Creek made several *pro forma* adjustments that resulted in an overall decrease of \$25,690 to test year combined operating expenses. These included adjustments to chemicals, materials & supplies, accounting fees, maintenance costs, future rate case expense, depreciation, amortization of its proposed acquisition adjustment, IURC fees, sales tax, and utility receipts tax. Sugar Creek also proposes to capitalize certain legal fees and equipment purchases expensed during the test year.

Q: Did you accept any of Sugar Creek's operating expense adjustments?

A: Yes. I accept Sugar Creek's operating expense adjustments to chemical expense, maintenance expense, materials and supplies, accounting fees, sales tax, and property tax. I propose modifications to Sugar Creek's adjustments for legal fees, capitalized expense, IURC fee, depreciation expense, rate case amortization, and utility receipts tax. I exclude Sugar Creek's amortization of its proposed acquisition

1 adjustment. I also reclass chemical expenses from contractual services and, finally, I
2 propose additional adjustments for sludge removal, affiliated contract charges, non-
3 utility expenses, bad debt expense, and the cost of direct billing residential
4 customers.

5 In summary, I propose *pro forma* adjustments that result in an overall decrease of
6 \$35821 to test year combined operating expenses.

Table MAS-5: Comparison of Pro Forma Combined Operating Expense Adjustments

	<u>Petitioner</u>	<u>OUCC</u>	<u>More (Less)</u>
<u>Accepted Adjustments:</u>			
Chemical Expenses	378	602	224
Reclass of Contract Services	-	(224)	(224)
Materials & Supplies	3,261	3,261	-
Maintenance Costs	597	597	-
Accounting Fees	526	525	(1)
Sales Tax	(59)	(59)	-
Property Tax	-	-	-
<u>Modified Adjustments:</u>			
Legal Fees	(22,922)	(23,968)	(1,046)
Capital & Non-Recurring Costs	(16,404)	(17,671)	(1,267)
IURC Fee	27	63	36
Depreciation Expense	7,682	(1,649)	(9,331)
Rate Case Amortization	(244)	7,756	8,000
Utility Receipts Tax	139	554	415
<u>Proposed Adjustments:</u>			
Sludge Removal	-	2,167	2,167
Contract Labor	-	(11,563)	(11,563)
Non-Utility & Duplicate Expenses	-	(1,050)	(1,050)
Bad Debt Expense	-	3,147	3,147
Billing Expenses	-	1,691	1,691
<u>Rejected Adjustments:</u>			
Acquisition Adjustment Amort.	1,329	-	(1,329)
Total Operating Expenses	<u>(25,690)</u>	<u>(35,821)</u>	<u>(10,131)</u>

Operating Expense Adjustments Modified by the OUCC:

1 **Legal Fees**

2 **Q: Please explain Sugar Creek's proposed adjustment for legal fees.**

3 **A:** Sugar Creek reduced its test year expenses to exclude non-recurring legal fees
4 incurred for Cause No. 43534 (investigation) and Cause No. 43579 (rate case). It

1 allocated these charges 50% (\$11,461) to water operations and 50% (\$11,461) to
2 sewer operations. The 50% allocated to water operations was then capitalized as
3 part of rate base.

4 **Q: How does your adjustment to legal fees differ from Sugar Creek's?**

5 A: In addition to the non-recurring legal fees eliminated from test year operating
6 expenses by Sugar Creek, I also eliminated \$1,046 of legal expenses that were not
7 related to utility operations. These legal expenses appear to relate to the owners'
8 personal business and should be removed from test year operating expenses.
9 Schedule 6S, Adjustment 7 yields a *pro forma* decrease of \$17,976 to test year legal
10 fees. Schedule 6W, Adjustment 3 yields a *pro forma* decrease of \$5,992 to test year
11 legal fees.

12 **Q: Did you capitalize the legal fees allocated to water operations as Sugar Creek**
13 **did?**

14 A: No. I did not include any of these legal expenses in rate base. Sugar Creek proposes
15 to recover a return on and of \$11,461 ($\$22,922 \times 50\%$) of legal fees related to Cause
16 No. 43579 (rate case) and Cause No. 43534 (investigation). The costs related to the
17 rate case have been included in my rate case expense adjustment. The investigation
18 costs are not recoverable.

19 The investigation was initiated by the Commission as a result of concerns in
20 connection with the billing practices of the utility as well as operational concerns.
21 Ratepayers should not be required to pay to defend the utility's operational and
22 billing practices nor to pay for the costs incurred by the Utility's arguments against

1 the need to correct identified deficiencies. In Cause No. 41903 (South Haven rate
2 case), the Commission ruled that

3 *"...the issue before the Commission is whether the utility should be*
4 *permitted to recover costs for an investigation that was begun in*
5 *response to deficiencies in the management and operation of the*
6 *utility. **The answer is no.** The ratepayers should not be penalized*
7 *for the mistakes of the utility's management. In addition....if we*
8 *were to allow Petitioner to recover the costs of the investigation,*
9 *Petitioner's management would have less incentive to operate its*
10 *utility in a responsible manner."*³ (Emphasis added)

11 **Capital/Non-Recurring Costs**

12 **Q: Please explain how your proposed adjustment for costs that are non-recurring**
13 **or capital in nature differs from Sugar Creek's adjustment.**

14 **A:** Sugar Creek capitalized \$13,296 of costs related to sewer pumps expensed during
15 the test year and \$3,108 of costs related to installation of three water meter pits and
16 shut-off valves. I also capitalized these expenditures. In addition to these costs, I
17 eliminated from operating expenses \$1,268 of non-recurring engineering fees
18 incurred during the test year and related to Sugar Creek's Project. Schedule 6S,
19 Adjustment 8 yields a *pro forma* decrease of \$13,296 to test year sewer operating
20 expenses. Schedule 6W, Adjustment 4 yields a *pro forma* decrease of \$4,375 to test
21 year water operating expenses.

22 **IURC Fee**

23 **Q: Please explain how your proposed adjustment for IURC fees differs from**
24 **Sugar Creek's adjustment.**

25 **A:** The adjustments I made to IURC fee expense are primarily a result of the revenue

³ South Haven, Cause No. 41903, page 20 of Commission Final Order dated June 5, 2002

1 adjustment recommendations I have already discussed. Sugar Creek proposed an
2 increase of \$27 to IURC fee present rate expenses. Schedule 6S, Adjustment 13
3 yields a *pro forma* increase of \$48 to test year sewer present rate IURC fees and
4 Schedule 6W, Adjustment 9 yields a *pro forma* increase of \$15 to test year water
5 present rate IURC fees for a combined adjustment of \$63.

6 **Depreciation Expense**

7 **Q: Please explain how your proposed adjustment for sewer depreciation expense**
8 **differs from Sugar Creek's adjustment.**

9 A: Sugar Creek proposed sewer depreciation expense of \$5,934 while I propose \$3,363,
10 a difference of \$2,571. There are two causes for the difference between these
11 depreciation adjustments. First, Sugar Creek determined sewer depreciable plant
12 was \$197,803 compared to my determination of \$134,530, a difference of \$63,273.
13 This is the amount of sewer utility plant additions I excluded from rate base (See
14 Schedule 7S). Second, Sugar Creek uses a 3.0% depreciation rate for sewer utility
15 plant while I used the Commission's sewer composite rate of 2.5% for systems with
16 a treatment plant. Since Sugar Creek has performed no depreciation study, the
17 Commission's composite rate is the appropriate depreciation rate to use for this
18 utility. (See Schedule 6S, Adjustment 14.)

19 **Q: Please explain how your proposed adjustment for water depreciation expense**
20 **differs from Sugar Creek's adjustment.**

21 A: Sugar Creek proposed water depreciation expense of \$7,438 while I propose \$678, a
22 difference of \$6,760. There are two causes for the difference between these

1 depreciation adjustments. Sugar Creek determined water depreciable plant was
2 \$384,998 in both Scenario (A) (excluding the project) and Scenario (B) (including
3 the project). Per Sugar Creek's response to discovery question Q-30, this was an
4 inadvertent error and water depreciation expense without the project should be
5 \$1,988 (See MAS Attachment 1). When you exclude the \$272,500 of Project costs
6 from depreciable water plant, the difference is \$65,517 which is the amount of sewer
7 utility plant additions I excluded from rate base. (See Schedule 7W.)

8 **Rate Case Amortization**

9 **Q: Please explain Sugar Creek's rate case expense amortization adjustments.**

10 A: Sugar Creek proposes two rate case amortization expense adjustments. The first
11 adjustment eliminates test year expense of \$2,744 from operating expenses. The
12 second adjustment amortizes estimated future rate case expenses of \$20,000 over an
13 eight (8) year period for an annual expense of \$2,500.

14 **Q: Do you agree with Sugar Creek's rate case amortization expense adjustments?**

15 A: While I agree with Sugar Creek's elimination of test year amortization expense, I do
16 not agree with its proposal to collect future rate case expenses in current rates.
17 Essentially, Sugar Creek is asking its customers to pre-pay the costs of its next rate
18 case. Operating expense adjustments must meet the following criteria -- be fixed
19 within the time period (12 months from the end of the test year -- 12/31/09), known
20 to occur, and measurable in amount. Future expenses do not meet these criteria or
21 any exceptions to this rule and, therefore, should be excluded from any calculation
22 of current rates.

1 **Q: Are you proposing any rate case amortization expense adjustments?**

2 A: Yes. As Sugar Creek states in its response to OUCC discovery question Q-22, it is a
3 common practice to include current rate case costs in project costs to be financed.
4 However, the Project in this case would serve only the Riley Village residential
5 customers and presumably revenues to pay for the project will only be provided by
6 those customers through a separate charge. Both residential and commercial
7 customers should bear the cost of this rate case. Therefore, I am proposing that the
8 costs of the current rate case be included in operating expenses, rather than Project
9 costs. I estimate rate case costs of \$52,500 consisting of \$12,500 of accounting
10 consultant costs and \$40,000 of legal costs, and have amortized these costs over a
11 five (5) year period. *Pro forma* annual rate case expense is \$10,500 (\$52,500 /5
12 years) and I have allocated these costs 75% to sewer operating expenses (\$7,875)
13 and 25% to water operating expenses (\$2,625). Test year operating expenses
14 included \$2,744 of rate case amortization from Sugar Creek's last rate case.
15 Schedule 6S, Adjustment 15 yields a *pro forma* increase of \$5,817 to test year
16 sewer rate case expense and Schedule 6W, Adjustment 11 yields a *pro forma*
17 increase of \$1,939 to test year water rate case expense for a combined increase of
18 \$7,756 (\$10,500 less \$2,744).

19 **Q: How does Sugar Creek treat rate case expenses for the current rate case?**

20 A: Sugar Creek has included the legal and accounting costs for the current rate case in
21 project costs to be capitalized and included in rate base. It is unclear how much rate
22 case expense will be included in project costs. In Sugar Creek's initial filing,

1 \$55,000 was included in project costs for legal expenses, of which \$30,000 was
2 costs related to the investigation and \$25,000 was costs related to the rate case. (See
3 response to OUCC discovery question Q-32). In the original filing, \$12,500 of
4 accounting costs were included in project costs for rate studies and work required
5 for funding of project (See response to OUCC discovery question Q-33). In the
6 revised project costs provided to OUCC discovery question Q-28, there are only
7 \$34,600 of soft costs included in the cost estimates provided to SRF.

8 **Utility Receipts Tax Expense**

9 **Q: Please explain how your proposed adjustment to Utility Receipts Tax Expense**
10 **differs from Sugar Creek's adjustment.**

11 A: The adjustments I made to utility receipts tax ("URT") expense are a direct result of
12 the operating revenue recommendations I have already discussed. Sugar Creek
13 proposed a *pro forma* combined present rate URT expense of \$1,272. I propose
14 combined *pro forma* present rate URT expense of \$1,687 for a difference of \$415.

Operating Expense Adjustments Proposed by the OUCC:

15 **Sludge Removal**

16 **Q: Please explain your proposed adjustment for sludge removal expense.**

17 A: Sugar Creek did not incur any sludge removal expenses during the test year. This
18 type of expense is not necessarily incurred on an annual basis but is still a normal,
19 recurring operating expense and should be included in the calculation of utility rates.
20 Sugar Creek provided its most recent invoice for sludge removal (Commercial
21 Sewer Cleaning Company, \$6,500, 9/30/06) and I used this as an estimate for future

1 sludge removal costs. Since this is not an annual expense, I amortized this estimated
2 expense over a three year period. Schedule 6S, Adjustment 2 yields a *pro forma*
3 increase of \$2,167 to test year sludge removal expense.

4 **Affiliate Transactions**

5 **Q: Please summarize Sugar Creek's contracts with its affiliate, Heartland Resort.**

6 A: Sugar Creek currently has five contracts with its affiliate, Heartland. These affiliated
7 contracts include the following: (1) Executive Management, (2) Labor Agreement,
8 (3) Vehicle Lease, (4) Office Lease, and (5) Equipment Lease. These affiliate
9 agreements were filed with the Commission on December 18, 2000.

10 The contract for Executive Management provides oversight of daily operations of
11 Sugar Creek's water and sewer utilities. Mr. Salis, the owner of Sugar Creek
12 Utilities as well as Heartland, is the provider of these services and is compensated
13 \$25,000 per year.

14 The Labor Agreement provides skilled and unskilled labor to Sugar Creek to
15 perform work on various projects for the utility on an as needed basis. Under this
16 agreement, Heartland is required to maintain work orders which identify the type of
17 work performed for Sugar Creek and to invoice Sugar Creek on a monthly basis for
18 all labor provided. Heartland provides skilled labor at a rate of \$18.00 per hour, and
19 unskilled labor at a rate of \$14.00 per hour. These rates include all insurance,
20 benefits, and vacation time.

21 The Vehicle Lease agreement provides certain vehicles on an as needed basis during

1 regular business hours for \$400.00 per month, or \$4,800 on an annual basis.

2 The Office Lease agreement provides office space to Sugar Creek at 1613 W 300 N,
3 Greenfield, Indiana 46140 for \$375.00 per month or \$4,500 on an annual basis.

4 Finally, the Equipment Lease agreement provides certain equipment on an as needed
5 basis to Sugar Creek. Per the agreement, a large backhoe is leased for \$100.00 per
6 hour and a small backhoe is leased for \$50.00 per hour.

7 **Q: Are there any other transactions between Sugar Creek and Heartland.**

8 A: Yes. Heartland also allocates certain operating expenses to Sugar Creek. These
9 expenses include purchased power and property taxes. These allocations are
10 recorded in December and are not based on any actual usage or other measurable
11 criteria. In addition to these annual allocations, it is common for normal utility
12 operating expenses to be paid by Heartland, recorded on Heartland's general ledger,
13 and then allocated to the utility at a later date.

14 **Q: What is the financial impact of these related party transactions?**

15 A: Total charges included in test year operating expenses related to the affiliated
16 contracts are \$50,114, or 36% of test year operating expenses. In addition to the
17 affiliated contracts, Heartland also allocated another \$18,734 of test year operating
18 expenses to Sugar Creek. Together, these charges and the affiliated contracts
19 represent 49% of total test year operating expenses.

1 **Q: Did Sugar Creek propose any adjustments for the cost of the services provided**
2 **under these affiliated agreements?**

3 A: No.

4 **Q: Are you proposing any adjustments for the cost of the services provided under**
5 **these affiliated agreements?**

6 A: Yes. I am proposing an adjustment for affiliated contract labor expenses. I propose
7 an adjustment to eliminate charges under the contract labor contract related to
8 services preformed by Mr. Salis.

9 **Q: Please explain your adjustment to sewer contract labor charges.**

10 A: I propose to include 111.5 skilled labor hours and 46 unskilled labor hours in *pro*
11 *forma* sewer operating expenses. These hours are related to work performed by
12 employees provided by Heartland. I am excluding 793.5 hours (\$9,522) related to
13 work performed by Mr. Salis and for which he has already been paid (\$25,000) to
14 perform under the Executive Management agreement.

15 **Q: Please explain the justification for your proposed adjustment.**

16 A: Per Sugar Creek's response to discovery question Q-95, the majority of the skilled
17 contract labor hours charged to Sugar Creek during the test year was for work
18 performed by Mr. Salis. Discovery question Q-95 requested an explanation of what
19 work was being performed and who was performing the work relative to 730 "daily"
20 hours charged to the sewer utility. Sugar Creek provided the following response:

21 "The work being performed includes normal maintenance including
22 but not limited to cleaning, sludge pumping, daily plant monitoring
23 and maintenance, sump testing, administrative duties. The work also

1 includes any non-routine maintenance or repairs. Most work is
2 performed by Mr. Salis."

3 Discovery question Q-101 requested additional information regarding the executive
4 management services to be provided under the management agreement. Sugar
5 Creek provided the following response:

6 "...The services include but are not limited to administrative duties
7 including customer and resident communications, state and federal
8 regulatory compliance issues, responding to regulatory complains
9 and investigations, day-to-day operation of the water and sewer
10 utilities, record-keeping requirements."

11 Based on the above information, Heartland is charging Sugar Creek twice for the
12 same services. Sugar Creek pays Heartland a management fee for "executive
13 management to oversee the daily operations of the water and sewer utilities." Then
14 Heartland also charged Sugar Creek, under the contract labor agreement, for the
15 same hours he works performing the duties required under the management
16 agreement.

17 **Q: Are there other reasons that support your proposed contract labor**
18 **adjustment?**

19 **A:** Yes. The Contract Labor agreement requires Heartland to maintain work orders
20 which identify the type of work performed for Sugar Creek. Per Sugar Creek's
21 responses to discovery questions Q-94(a - c) Heartland does not maintain any work
22 orders or time sheets to support or document the hours worked for Sugar Creek or
23 the work performed by these employees. Instead, the hours allocated under this

1 contract are based upon management's experience with Sugar Creek's operational
2 needs.

3 **Q: Please explain your adjustment to water contract labor charges.**

4 A: I propose to exclude all contract labor hours charged to the water utility during the
5 test year. Most, if not all, of the repairs to the water utility were performed by
6 outside contractors during the test year. All of the hours charged to the water utility
7 during the test year are related to work performed by Mr. Salis and for which
8 Heartland has already been compensated under the executive management
9 agreement.

10 **Q: Please explain the justification for your proposed adjustment.**

11 A: Per Sugar Creek's response to discovery question Q-96, the majority, if not all, of
12 the skilled contract labor hours charged to Sugar Creek during the test year was for
13 work performed by Mr. Salis. Discovery question Q-96 requested an explanation of
14 the work being performed and who was performing it relative to 215 "daily" hours
15 charged to the water utility. Sugar Creek provided the following response:

16 "As the certified operator, Mr. Salis performs the majority of the
17 work which includes all operation and maintenance activities
18 including but not limited to daily plant inspections, periodic water
19 tests, correspondence with the water testing lab, boil water advisory
20 activities, leak repairs, and administrative duties."

21 Discovery question Q-101 requested additional information regarding the executive
22 management services to be provided under the management agreement. Sugar
23 Creek provided the following response:

1 "...The services include but are not limited to administrative duties
2 including customer and resident communications, state and federal
3 regulatory compliance issues, responding to regulatory complains
4 and investigations, day-to-day operation of the water and sewer
5 utilities, record-keeping requirements."

6 Based on the above, Heartland is essentially charging Sugar Creek twice for the
7 same services. As in the sewer utility, the water utility also pays Heartland a
8 management fee for "executive management to oversee the daily operations of the
9 water and sewer utilities." Then Heartland charges the water utility under the
10 contract labor agreement, for the same hours he works performing the duties
11 required under the management agreement.

12 **Q: Are there other reasons to support your proposed contract labor adjustment?**

13 A: Yes. Discovery question Q-98 requested information regarding 15 hours charged
14 during the test year and labeled "meter pit" (three separate dates). Sugar Creek's
15 response was that the hours were related to work initiated by a leak and included the
16 investigation of the complaint, arrangement of a contractor to perform the work,
17 supervision of the labor. These are all "text book" descriptions of what a manager's
18 duties would include. The total hours charged to the water utility consisted of a total
19 of 274 hours, of which 15 were related to the work described above, 44 were related
20 to water tests, and the remaining 215 hours were described above in response to
21 discovery question Q-96.

22 **Q: Did you consider an adjustment for vehicle lease expense?**

23 A: Yes. Sugar Creek's service territory is extremely small; one could easily walk the

1 entire system. There is not a daily need for a vehicle. However, if you calculate the
2 return that would be earned on the investment in a small truck, the depreciation to be
3 recovered, and maintenance costs, the monthly cost, although less than \$400 per
4 month⁴, is not that much less that it would warrant proposing an adjustment at this
5 time.

6 **Q: Did you have any comments relative to the equipment lease contract?**

7 A: Yes. Currently, this contract charges an hourly rate for the rental of the backhoes.
8 However, not all jobs lend themselves to an hourly rental. There are times when the
9 equipment will be needed on a daily or even weekly basis. Commercial equipment
10 rentals offer this alternative pricing and I believe that the affiliated contract should
11 be amended to also allow for daily and weekly rentals.

12 **Non-Utility Expenses and Duplicate Expenses**

13 **Q: Please explain your proposed adjustment for non-utility sewer expenses.**

14 A: During the test year, \$400 of expenses for cleaning out port-toilets was recorded to
15 Sugar Creek's general ledger. These expenses actually relate to the Heartland
16 Resort, and I have eliminated them from test year sewer expenses. Schedule 6S,
17 Adjustment 10 yields a *pro forma* decrease of \$400 to test year operating expense.

⁴ Assuming a mid-size truck cost of \$25,000, then the annual return would be \$2,500 using a 10% average cost of capital, depreciation expense would be approximately \$600 (allocating the asset 75% sewer and 25% water) and assuming another \$100 of maintenance and gas costs per month gives an annual cost of \$4,300 or \$350/month compared with the \$400 charged in the affiliated contract.

1 **Q: Please explain your proposed adjustment for non-utility water expenses.**

2 A: During the test year, the IDEM public drinking water fee for Heartland Resort's well
3 was recorded to Sugar Creek's general ledger in error. Additionally, this expense
4 was recorded twice during the test year, once in January and again in December.
5 The fee is \$100 annually. Schedule 6W, Adjustment 6 yields a *pro forma* decrease
6 to water operating expenses of \$200.

7 **Q: Please explain your proposed adjustment for duplicate water expenses**
8 **recorded during the test year.**

9 A: During the test year the IDEM public drinking water fee (\$350) was recorded twice
10 – once in January and again in December. Likewise, the annual dues for the
11 Alliance of Indiana Rural Water (\$100) were recorded twice. Schedule 6W,
12 Adjustment 6 yields a *pro forma* decrease to water operating expenses of \$450.

13 **Bad Debt Expense**

14 **Q: Please explain your proposed adjustment for bad debt expense.**

15 A: In Cause No. 43534, the OUCC filed an investigation into Sugar Creek's operations
16 and requested the Commission require Sugar Creek to directly bill its residential
17 customers. In recognition of the current collection problems being experienced by
18 the Riley Village Homeowners' Association, I have included bad debt expense at
19 5.0% of residential revenues. Schedule 6S, Adjustment 11 yields a *pro forma*
20 increase of \$2,360 to test year operating expense. Schedule 6W, Adjustment 7
21 yields a *pro forma* increase of \$787.

1 **Directly Billing of Residential Customers**

2 **Q: Please explain your proposed adjustment for the costs of directly billing**
3 **residential customers.**

4 A: As discussed above, in Cause No. 43534, the OUCC requested that the Commission,
5 require Sugar Creek to directly bill its residential customers. There are certain costs
6 that are inherent in implementing direct billing of residential customers. These costs
7 generally fall into two categories, materials and labor. I estimate that 75 (76
8 residential customers less RVHOA) additional invoices will need to be prepared
9 monthly or 900 (75 x 12) additional invoices on an annual basis. The cost of these
10 invoices includes postage, envelopes, and printing costs and is estimated at \$.50 per
11 invoice. Total material and postage expenses is estimated at \$450 (900 x \$.50) and
12 is allocated 75% to the sewer utility, \$338 and 25% to the water utility. Clerical
13 labor is estimated at \$12.92 per hour, \$12.00 per hour grossed up for payroll taxes
14 (7.65%). I have estimated eight (8) hours per month or 96 hours annually to prepare
15 the bills, record cash receipts, and prepare bank deposits. The initial set-up time
16 may be more than 8 hours per month but subsequent months should be less,
17 averaging to eight (8) hours per month. Total labor expense is estimated at \$1,240
18 (96 x \$12.92) and is allocated 75% to the sewer utility, \$930, and 25% to the water
19 utility, \$310. Schedule 6S, Adjustment 12 yields a *pro forma* increase of \$1,268
20 (\$338 + \$930) to test year sewer operating expense. Schedule 6W, Adjustment 8
21 yields a *pro forma* increase of \$423 (\$113 + \$310) to test year water operating
22 expense.

IX. Other Issues

1 **Q: If Sugar Creek is not required to directly bill its residential customers, what**
2 **impact would that have on your *pro forma* rate schedules?**

3 **A:** There are several expenses that I have included in my calculation of rates that would
4 be unnecessary if Sugar Creek isn't required to direct bill its residential customers. I
5 have included bad debt expense at a rate of 5% on residential sales only. Total bad
6 debt Expenses I included in rates is \$2,906 (\$3,147 – 241). I also included labor and
7 materials directly related to billing the residential customers. Total direct billing
8 costs included in rates is \$1,691. Therefore, if Sugar Creek is not required to direct
9 bill, a total of \$4,597 should be eliminated from the calculation of over-all rates.

10 **Q: Please explain the OUCC's proposal regarding updates to Sugar Creek's tariff.**

11 **A:** In conjunction with Sugar Creek directly invoicing its residential customers, it is
12 necessary for it to include certain non-recurring charges on its tariff. These non-
13 recurring charges would include a tap fee for water and a connection fee for sewer;
14 bad check charge, late fees or penalties (per the requirements of the Indiana
15 Administrative Code), disconnect fees/reconnect fees for water; and other non-
16 recurring charges that the Utility deems necessary. These non-recurring charges
17 should be cost-based and cost support will be required when filing this request with
18 the Commission.

19 **Q: Does this conclude your testimony at this time?**

20 **A:** Yes.

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

**Comparison of Petitioner's and OUC's
Combined Revenue Requirements**

	<u>Per Petitioner</u>		<u>(C) Per OUC</u>	<u>Sch Ref</u>	<u>(C) - (B) OUC More (Less)</u>
	<u>(A) w/Project</u>	<u>(B) w/o Project</u>			
Original Cost Combined Rate Base	\$ 567,996	\$ 295,496	\$ 114,735	7	\$ (180,761)
Times: Weighted Cost of Capital	10.06%	10.06%	10.00%		(0.00060)
Net Combined Operating Income Required for Return on Rate base	57,140	29,727	11,474		(18,253)
Less: Adjusted Net Operating income	(23,419)	(23,419)	16,334	4	39,753
Net Combined Revenue Requirement	80,559	53,146	(4,860)		(58,006)
Gross Revenue Conversion Factor	101.42%	101.42%	104.27%		2.85%
Recommended Combined Revenue Increase	\$ 81,707	\$ 53,901	\$ (5,068)		\$ (58,969)
Recommended Combined Percentage Increase	89.93%	59.33%	-4.21%		-63.54%

		<u>Per Petitioner</u>		<u>Per OUC</u>	<u>OUC More (Less)</u>
		<u>w/Project</u>	<u>w/o Project</u>		
Current flat rate per EDU					
Sewer	\$ 51.75	\$ 67.00	\$ 67.00	\$ 50.71	\$ (16.29)
Water	17.25	64.05	42.93	15.38	(27.55)
Combined	\$ 69.00	\$ 131.05	\$ 109.93	\$ 66.10	\$ (43.84)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Gross Revenue Conversion Factor

		Per Petitioner		Per
		w/Project	w/o Project	OUCC
1	Gross revenue Change	100.00%	100.00%	100.0000%
2	Less: Bad Debt Rate (5% of residential sales)	0.00%	0.00%	2.6115%
3	Sub-total	100.00%	100.00%	97.3885%
4	Less: IURC Fee (.001203993%)	0.00%	0.00%	0.1172551%
5	Income Before State Income taxes	100.00%	100.00%	97.2712%
6	Less: State Income Tax (8.5% of Line 5)	0.00%	0.00%	0.0000%
7	Utility Receipts Tax (1.4% of Line 3)	1.40%	1.40%	1.3634%
8	Income before Federal income Taxes	98.60%	98.60%	95.9078%
9	Less: Federal income Tax (34% of Line 8)	0.00%	0.00%	0.0000%
10	Change in Operating Income	98.60%	98.60%	95.9078%
11	Gross Revenue Conversion Factor	101.42%	101.42%	104.27%

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Reconciliation of Combined Net Operating Income Statement Adjustments
***Pro-forma* Present Rates**

	<u>Per Petitioner</u>	<u>Per OUC</u>	<u>OUC More (Less)</u>
Operating Revenues			
Residential Sewer Service	\$ -	\$ (3,312)	\$ (3,312)
Commercial Sewer Service	-	32,935	32,935
Penalties	-	-	-
	<u>-</u>	<u>29,623</u>	<u>29,623</u>
O&M Expense			
Chemical Expenses	378	602	224
Reclass of Contract Services	-	(224)	(224)
Sludge Removal	-	2,167	2,167
Materials & Supplies	3,261	3,261	-
Maintenance Costs	597	597	-
Accounting Fees	526	525	(1)
Legal Fees	(22,922)	(23,968)	(1,046)
Capital/Non-Recurring Costs	(16,404)	(17,671)	(1,267)
Contract Labor	-	(11,563)	(11,563)
Non-Utility & Duplicate Expenses	-	(1,050)	(1,050)
Bad Debt Expense	-	3,147	3,147
Billing Expenses	-	1,691	1,691
IURC Fee	27	63	36
Depreciation Expense	7,682	(1,649)	(9,331)
Acquisition Adjustment Amortization	1,329	-	(1,329)
Rate Case Amortization	(244)	7,756	8,000
Taxes Other than Income:			
Sales Tax	(59)	(59)	-
Property Tax	-	-	-
Utility Receipts Tax	139	554	415
Total Operating Expenses	<u>(25,690)</u>	<u>(35,821)</u>	<u>(10,131)</u>
Net Operating Income	<u>\$ 25,690</u>	<u>\$ 65,444</u>	<u>\$ 39,754</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

COMPARATIVE BALANCE SHEET
As of December 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>			
Utility Plant:			
Sewer Utility Plant in Service	\$ 184,507	\$ 184,507	\$ 177,081
Less: Accumulated Depreciation	56,473	52,260	48,047
Net Sewer Utility Plant in Service	<u>128,034</u>	<u>132,247</u>	<u>129,034</u>
Water Utility Plant in Service	96,299	96,299	96,299
Less: Accumulated Depreciation	17,850	16,373	14,896
Net Water Utility Plant in Service	<u>78,449</u>	<u>79,926</u>	<u>81,403</u>
Net Utility Plant in Service	<u>206,483</u>	<u>212,173</u>	<u>210,437</u>
Current Assets:			
Cash and Cash Equivalents	33,082	38,725	28,830
Accounts Receivable			
Materials and Supplies			
Other Current Assets			
Total Current Assets	<u>33,082</u>	<u>38,725</u>	<u>28,830</u>
Deferred Debits			
Acquisition Adjustment	50,000	50,000	50,000
Deferred Rate Case Costs		2,744	5,488
Total Deferred Debits	<u>50,000</u>	<u>52,744</u>	<u>55,488</u>
Total Assets	<u>\$ 289,565</u>	<u>\$ 303,642</u>	<u>\$ 294,755</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY:</u>			
Stockholders' Equity			
Common Stock	\$ 150,000	\$ 150,000	\$ 150,000
Retained Earnings	(73,540)	(41,298)	(28,378)
Paid in Capital	320	320	320
Total Stockholders' Equity	<u>76,780</u>	<u>109,022</u>	<u>121,942</u>
Loan Payable - Officers	212,785	194,537	172,730
Current Liabilities			
Accounts Payable	-	83	83
Other Accounts Payable	-	-	-
Other Current Liabilities	<u>-</u>	<u>83</u>	<u>83</u>
Total Liabilities & Stockholders' Equity	<u>\$ 289,565</u>	<u>\$ 303,642</u>	<u>\$ 294,755</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	2008			2007	2006
	Water	Sewer	Combined		
Operating Revenues					
Residential Sewer Service	\$ 16,560	\$ 49,680	\$ 66,240	\$ 66,240	\$ 66,240
Commercial Sewer Service	6,154	18,463	24,617	24,617	24,617
Penalties	-	-	-	-	-
Total Operating Revenues	<u>22,714</u>	<u>68,143</u>	<u>90,857</u>	<u>90,857</u>	<u>90,857</u>
Operating Expenses					
Purchased Power	4,800	12,000	16,800	16,800	16,800
Chemicals	-	-	-	-	-
Sludge Removal	-	-	-	-	-
Materials and Supplies	-	13,703	13,703	-	-
Contractual Services	23,624	60,031	83,655	60,195	56,397
Transportation Expense	1,200	3,600	4,800	4,800	4,800
Insurance	390	1,171	1,561	1,880	1,855
Rentals					
Building	1,125	3,375	4,500	4,500	4,500
Equipment	-	1,600	1,600	2,800	2,800
Regulatory Expenses	921	411	1,332	1,062	902
Bad Debt Expense	-	-	-	-	-
Miscellaneous Expense	428	28	456	100	225
Total O&M Expense	<u>32,488</u>	<u>95,919</u>	<u>128,407</u>	<u>92,137</u>	<u>88,279</u>
Depreciation Expense	1,477	4,213	5,690	5,690	5,504
Amortization Expense	686	2,058	2,744	2,744	2,744
Taxes Other than Income:					
Sales Tax	59	-	59	-	-
Property Tax	484	1,450	1,934	1,934	1,934
Utility Receipts Tax	283	850	1,133	1,272	1,272
Total Operating Expenses	<u>35,477</u>	<u>104,490</u>	<u>139,967</u>	<u>103,777</u>	<u>99,733</u>
Net Operating Income	<u>\$ (12,763)</u>	<u>\$ (36,347)</u>	<u>\$ (49,110)</u>	<u>\$ (12,920)</u>	<u>\$ (8,876)</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Pro-forma Combined Net Operating Income Statement

	Year Ended 12/31/2008	Adjustments	Sch Ref	Pro-forma Present Rates	Adjustments	Sch Ref	Pro-Forma Proposed Rates
Operating Revenues							
Residential Sewer Service	\$ 66,240	\$ (3,312)	5-1	\$ 62,928	\$ (2,646)	1	\$ 60,282
Commercial Sewer Service	24,617	1,531	5-2	57,552	(2,422)	1	55,130
		31,404	5-3				
Penalties	-			-	-	1	-
				-			-
Total Operating Revenues	<u>90,857</u>	<u>29,623</u>		<u>120,480</u>	<u>(5,068)</u>		<u>115,412</u>
O&M Expense	128,407			85,984			85,845
Chemical Expenses		602					
Sludge Removal		2,167					
Materials & Supplies		3,261					
Maintenance Costs		597					
Accounting Fees		525					
Reclass of Contract Services		(224)					
Legal Fees		(23,968)					
Capital/Non-Recurring Costs		(17,671)					
Contract Labor		(11,563)					
Non-Utility & Duplicate Expenses		(1,050)					
Bad Debt Expense		3,147			(133)	1	
Billing Expenses		1,691					
IURC Fee		63			(6)	1	
Depreciation Expense	5,690	(1,649)		4,041			4,041
Rate Case Expense Amortization	2,744	7,756		10,500			10,500
Taxes Other than Income:							
Sales Tax	59	(59)		-			-
Property Tax	1,934	-		1,934			1,934
Utility Receipts Tax	1,133	554		1,687	(69)	1	1,618
Total Operating Expenses	<u>139,967</u>	<u>(35,821)</u>		<u>104,146</u>	<u>(208)</u>		<u>103,938</u>
Net Operating Income	<u>\$ (49,110)</u>	<u>\$ 65,444</u>		<u>\$ 16,334</u>	<u>\$ (4,860)</u>		<u>\$ 11,474</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Calculation of Combined Rate Base

	Per Petitioner		(C)	(C) - (B)
	(A)	(B)	Per	OUCC
	w/Project	w/o Project	OUCC	More (Less)
Utility Plant in Service at 12/31/2008	\$ 280,806	\$ 280,806	\$ 280,806	\$ -
Add: 2008 Capitalized Expenditures	29,495	29,495	16,403	(13,092)
Proposed Water Main Project	272,500	-	-	-
Less: Improvements serving only Heartland				
2000 Sewer Line Improvements	-	-	(22,000)	(22,000)
2002 Sewer Line Additions	-	-	(33,845)	(33,845)
2001 Water Line Additions	-	-	(31,672)	(31,672)
2002 Water Line Additions	-	-	(33,845)	(33,845)
Unsupported Improvements				
2007 Hydraserve Pump	-	-	(3,719)	(3,719)
2007 Hydraserve Pump	-	-	(3,709)	(3,709)
Gross Utility Plant in Service	582,801	310,301	168,419	(141,882)
Less: Accumulated Depreciation	74,323	74,323	74,323	-
Plus: Accumulated Depreciation on disallowed Improvements	-	-	(12,008)	(12,008)
Net Utility Plant in Service	508,478	235,978	106,104	(129,874)
Add: Unamortized Acquisition Adjustment	48,672	48,672	-	(48,672)
Working Capital (see below)	10,846	10,846	8,631	(2,215)
Total Original Cost Rate Base	<u>\$ 567,996</u>	<u>\$ 295,496</u>	<u>\$ 114,735</u>	<u>\$ (180,761)</u>

Working Capital Calculation

Operation & Maintenance Expense	\$ 96,369	\$ 96,369	\$ 85,845	\$ (10,524)
Less: Purchased Water	-	-	-	-
Purchased Power	9,600	9,600	16,800	7,200
Adjusted Operation & Maintenance Expense	86,769	86,769	69,045	(17,724)
Times: 45 Day Factor	0.125	0.125	0.1250	0.1250
Working Capital Requirement	<u>\$ 10,846</u>	<u>\$ 10,846</u>	<u>\$ 8,631</u>	<u>\$ (2,216)</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUC Proposed</u>	<u>OUC More (Less)</u>
<u>Flat Rate Per Equivalent Dwelling Unit</u>				
Sewer Rate	\$ 51.75	\$ 67.00	\$ 50.71	\$ (16.29)
Water Rate	\$ 17.25	\$ 42.93	\$ 15.38	\$ (27.55)
Combined Rate	<u>\$ 69.00</u>	<u>\$ 109.93</u>	<u>\$ 66.09</u>	<u>\$ (43.84)</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

**Comparison of Petitioner's and OUCC's
Sewer Utility Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Ref</u>	<u>More (Less)</u>
Original Cost rate Base	\$ 180,219	\$ 90,440	7S	\$ (89,779)
Times: Weighted Cost of Capital	10.06%	10.00%		-0.06%
Net Operating Income Required for Return on Rate base	18,131	9,044		(9,087)
Less: Adjusted Net Operating income	(1,672)	10,780	4S	12,452
Net Revenue Requirement	19,803	(1,736)		(21,539)
Gross Revenue Conversion Factor	101.42%	104.27%		2.85%
Recommended Revenue Increase	<u>\$ 20,084</u>	<u>\$ (1,810)</u>		<u>\$ (21,894)</u>
Recommended Percentage Increase	<u>29.47%</u>	<u>-2.00%</u>		<u>-31.47%</u>

	<u>Proposed</u>		<u>OUCC</u>
	<u>Petitioner</u>	<u>OUCC</u>	<u>More (Less)</u>
Current flat rate per EDU = \$51.75	\$ 67.00	\$ 50.71	\$ (16.29)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Gross Revenue Conversion Factor

	<u>Per Petitioner</u>	<u>Per OUCG</u>
1 Gross revenue Change	100.0000%	100.0000%
2 Less: Bad Debt Rate (5% of residential sales)	<u>0.0000%</u>	<u>2.6115%</u>
3 Sub-total	100.0000%	97.3885%
4 Less: IURC Fee	<u>0.000000%</u>	<u>0.1172551%</u>
5 Income Before State Income taxes	100.000000%	97.2712%
6 Less: State Income Tax (8.5% of Line 5)	0.0000%	0.0000%
7 Utility Receipts Tax (1.4% of Line 3)	<u>1.4000%</u>	<u>1.3634%</u>
8 Income before Federal income Taxes	98.6000%	95.9078%
9 Less: Federal income Tax (34% of Line 8)	<u>0.0000%</u>	<u>0.0000%</u>
10 Change in Operating Income	<u>98.6000%</u>	<u>95.9078%</u>
11 Gross Revenue Conversion Factor	<u>101.42%</u>	<u>104.27%</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues			
Residential Sewer Service	\$ -	\$ (2,484)	\$ (2,484)
Commercial Sewer Service	-	24,701	24,701
Penalties	-	-	-
Total Operating Revenues	<u>-</u>	<u>22,217</u>	<u>22,217</u>
O&M Expense			
Chemical Expenses	378	602	224
Sludge Removal	-	2,167	2,167
Materials & Supplies	1,631	2,446	815
Maintenance Costs	597	597	-
Accounting Fees	263	394	131
Reclass of Contract Services	-	(224)	(224)
Legal Fees	(11,461)	(17,976)	(6,515)
Capital Costs	(13,296)	(13,296)	-
Contract Labor	-	(8,278)	(8,278)
Non-Utility Expenses	-	(400)	(400)
Bad Debt Expense	-	2,360	2,360
Billing Expenses	-	1,268	1,268
IURC Fee	41	48	7
Depreciation Expense	1,721	(850)	(2,571)
Acquisition Adjustment Amortization	986	-	(986)
Rate Case Amortization	1,250	5,817	4,567
Taxes Other than Income:			
Sales Tax	-	-	-
Property Tax	-	-	-
Utility Receipts Tax	104	415	311
Total Operating Expenses	<u>(17,786)</u>	<u>(24,910)</u>	<u>(7,124)</u>
Net Operating Income	<u>\$ 17,786</u>	<u>\$ 47,127</u>	<u>\$ 29,341</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Pro-forma Sewer Utility Net Operating Income Statement

	Year Ended 12/31/2008	Adjustments	Sch Ref	Pro-forma Present Rates	Adjustments	Sch Ref	Pro-Forma Proposed Rates
Operating Revenues							
Residential Sewer Service	\$ 49,680	\$ (2,484)	5S-1	\$ 47,196	\$ (945)	1S	\$ 46,251
Commercial Sewer Service	18,463	1,145	5S-2	43,164	(865)	1S	42,299
		23,556	5S-3				
Penalties	-			-	-	1S	-
Total Operating Revenues	68,143	22,217		90,360	(1,810)		88,550
O&M Expense	95,919			65,627			65,578
Chemical Expenses		602	6S-1				
Sludge Removal		2,167	6S-2				
Materials & Supplies		2,446	6S-3				
Maintenance Costs		597	6S-4				
Accounting Fees		394	6S-5				
Reclass of Contract Services		(224)	6S-6				
Legal Fees		(17,976)	6S-7				
Capital Costs		(13,296)	6S-8				
Contract Labor		(8,278)	6S-9				
Non-Utility Expenses		(400)	6S-10				
Bad Debt Expense		2,360	6S-11		(47)	1S	
Billing Expenses		1,268	6S-12				
IURC Fee		48	6S-13		(2)	1S	
Depreciation Expense	4,213	(850)	6S-14	3,363			3,363
Rate Case Expense Amortization	2,058	5,817	6S-15	7,875			7,875
Taxes Other than Income:							
Sales Tax	-			-			-
Property Tax	1,450			1,450			1,450
Utility Receipts Tax	850	415	6S-16	1,265	(25)	1S	1,240
Total Operating Expenses	104,490	(24,910)		79,580	(74)		79,506
Net Operating Income	\$ (36,347)	\$ 47,127		\$ 10,780	\$ (1,736)		\$ 9,044

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Revenue Adjustments

Current Equivalent Dwelling Units --			Equivalent Dwelling Units for Rate Purposes		
Residential	84.0	52.2%	Occupied Residential Homes	76.0	52.2%
Commercial	77.0	47.8%	Pro-rated Commercial EDUs	69.5	47.8%
	<u>161.0</u>			<u>145.5</u>	

(1)

Decrease Number of Residential EDUs

To decrease residential EDUs from 80 to 76 -- estimated number of occupied homes at 3/31/09

Number of Residential EDUs to be billed	76.00		
Rate per EDU	<u>\$ 51.75</u>		
Monthly Residential Revenue		3,933	
Times: 12 months		<u>12</u>	
Annual Residential Revenue			47,196
Less: Test Year Commercial Revenues			<u>(49,680)</u>
Adjustment Increase (Decrease)			<u>\$ (2,484)</u>

(2)

Increase Commercial Revenues per Cause No. 41913

To increase commercial test year revenues for the rate increase in effect since approximately June 2003.

Current sewage rate per EDU	\$ 51.75		
Number of EDUs to be billed to Heartland Resort	<u>31.57</u>		
Monthly Commercial Sewage Revenue		1,634	
Times: 12 months		<u>12</u>	
Annual Commercial Sewage Revenue			19,608
Less: Test Year Commercial Sewage Revenues			<u>(18,463)</u>
Adjustment Increase (Decrease)			<u>\$ 1,145</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Revenue Adjustments

(3)

Increase Commercial EDUs

To increase commercial EDUs from 31.57 to 69.5 due to increase in Heartland Resort facilities.

Updated EDUs to be billed to Heartland Resort	69.50		
Rate per EDU	<u>\$ 51.75</u>		
<i>Pro forma</i> Monthly Commercial Sewage Revenue		3,597	
Times: 12 months		<u>12</u>	
<i>Pro forma</i> Annual Commercial Sewage Revenue			43,164
Less: Adjusted Test Year Commercial Sewage Revenues			<u>(19,608)</u>
Adjustment Increase (Decrease)			<u><u>\$ 23,556</u></u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(1)

Chemical Expense

To adjust operating expenses to reflect expenses paid by Heartland Resort for Sewer Utility chemicals and the reclassification of chemical costs charged to Sugar Creek by Astbury Water, the sewer plant operator.

Sugar Creek General Ledger (See Adjustment (6) below)

Astbury Water 05.01.08	Liquid Dechlorinator (45 Gallons)	\$	224
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Heartland General Ledger (Allocations Per Petitioner)

Brenntag Mid 07.08.08	Liquid Chlorine	339	50%	170
Brenntag Mid 09.15.08	Liquid Chlorine	208	100%	208

Adjustment Increase (Decrease)	\$ 602
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(2)

Sludge Removal

To adjust operating expenses to reflect expenses paid by Heartland for Sewer Utility materials and supplies.

Commercial Sewer Cleaning Company	09.30.06	\$ 6,500.57	
Divide: Amortization Period		3	
Pro forma sludge removal expense			2,167
Less: Test Year sludge removal expense			-

Adjustment Increase (Decrease)	\$ 2,167
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(3)

Additional Materials and Supplies Expense

To adjust operating expenses to reflect expenses paid by Heartland for Sewer Utility materials and supplies.

Supplies purchased from Mid South Supply during 2008	\$ 3,260.95
Times: Sewer Portion	75%

Adjustment Increase (Decrease)	\$ 2,446
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SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(4)

Lift Station Pump Maintenance

To adjust operating expenses to reflect the amortization of lift station pump maintenance (paid by Heartland).

Kirby Risk	\$	2,983	
Divide: Amortization Period		<u>5</u>	
Adjustment Increase (Decrease)			<u>\$ 597</u>

(5)

Accounting Fees

To adjust operating expenses to reflect expenses paid by Heartland for accounting services.

Prepare IURC Annual Report	\$	225	
Prepare Federal & State "S" Corp Returns		<u>300</u>	
Pro forma Accounting Fees	\$	525	
Times: Sewer Portion		<u>75.00%</u>	
Adjustment Increase (Decrease)			<u>\$ 394</u>

(6)

Reclass Chemical Costs

To reclass chemical costs charged by Astbury Water and included in contractual services in error. These costs are included as chemical costs in adjustment (1) above.

Astbury Water (Invoice #117145, 05.01.08)			
15 Gallon containers of liquid dechlorinator (delivered 04.02.08)	\$	52.90	
Times: Number of containers delivered		<u>3</u>	
			159
Add: Freight Charges			<u>65</u>
Adjustment Increase (Decrease)			<u>\$ (224)</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(7)

Legal Fees

To adjust operating expenses to reflect the elimination of legal fees (Bose McKinney Evans) from test year operating expenses. Legal costs related to rate case expense are included in adjustment (17) below.

Invoice #	Date	Rate Case Expense	Non-Allowed Expenses		Total Invoice
			Personal	Investigation	
417019	01.14.08	-	905.90	-	905.90
422085	03.10.08	-	140.00	-	140.00
425994	04.18.08	-	-	1,937.00	1,937.00
428200	05.13.08	-	-	2,571.02	2,571.02
433867	07.18.08	-	-	768.00	768.00
437557	08.21.08	-	-	608.00	608.00
438867	09.11.08	408.00	-	4,173.10	4,581.10
441638	10.14.08	683.48	-	4,224.92	4,908.40
444127	11.10.08	1,062.02	-	2,211.78	3,273.80
446293	11.30.08	672.51	-	3,601.89	4,274.40
		<u>2,826.00</u>	<u>1,045.90</u>	<u>20,095.72</u>	<u>23,967.62</u>

Times: Sewer Portion 75%

Adjustment Increase (Decrease) \$ (17,976)

(8)

Capital Costs

To reduce operating expenses for costs that are capital in nature.

ITT Water & Wastewater	06.13.08	#12480601	\$ 3,954
Hydraserve	11.02.08	#12488401	<u>9,342</u>

Adjustment Increase (Decrease) \$ (13,296)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(9)

Contract Labor Costs

To adjust operating expenses to reflect the elimination of certain contract labor costs and to reflect hourly rates per current affiliated contract.

	Skilled Labor Expense	Unskilled Labor Expense	Total Labor Expense
Grass Mowing		46.0	46.0
03.11.08	5.0		5.0
03.12.08	8.0		8.0
03.13.08	6.0		6.0
05.13.08	5.0		5.0
05.18.08	7.5		7.5
07.10.08	24.0		24.0
07.11.08	24.0		24.0
07.12.08	24.0		24.0
08.21.08	8.0		8.0
	111.5	46.0	157.5
Times: Current Hourly Rate	\$ 18.00	\$ 14.00	
	2,007	644	2,651
	(A)	(B)	(A + B)
Total Operating Expenses			\$ 2,651
Less: test Year Contract Labor			(10,929)

Adjustment Increase (Decrease) **\$ (8,278)**

(10)

Non-Utility Expenses

To eliminate test year operating expenses that are not related to utility business.

Non-Utility Expenses:

Fisk Excavating	06.15.08	Clean out porta-toilets	200
Fisk Excavating	08.29.08	Clean out porta-toilets	200

Adjustment Increase (Decrease) **\$ (400)**

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(11)

Bad Debt Expense

To adjust test year operating expenses to include estimated bad debt expense related to the Utility direct billing residential customers.

Pro forma Residential Sewer Revenues	\$	47,196	
Times: Estimated Bad Debt %		<u>5.00%</u>	
Adjustment Increase (Decrease)			<u>\$ 2,360</u>

(12)

Direct Invoicing Expenses

To adjust test year operating expenses to include estimated expenses related to direct billing of residential customers.

Number of Annual bills --

Number of Residential Customers	76		
Less: Current Riley Village HOA invoice	<u>(1)</u>		
Total additional monthly invoices		75	
Times: Number of Months		<u>12</u>	
Additional Annual Invoices			<u>900</u>

Estimated Cost Per Invoice Mailed --

Postage Per Customer	\$	0.42	
Envelopes (\$15 for 500)		0.03	
Invoice Printed In-House		<u>0.05</u>	
Estimated Cost Per Invoice Mailed	\$	0.50	
Times: Number of Additional Invoices		<u>900</u>	
Pro forma additional annual invoice cost			450
Times: Sewer Portion			<u>75.00%</u>
Total estimated costs for postage, envelopes, and invoice			<u>\$ 338</u>

Clerical Wages --

Hourly Cost of Employee (\$12 x 1.0765)	\$	12.92	
Times: Number of hours per month		<u>8</u>	
Estimated Monthly Clerical Wages		103.36	
Times: Number of Months		<u>12</u>	
Estimated Annual Clerical Wages	\$	1,240	
Times: Sewer Portion			<u>75.00%</u>
Estimated Annual Wages			<u>930</u>

Adjustment Increase (Decrease) \$ 1,268

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(13)

IURC Fee

To adjust operating expenses to reflect the IURC fee on present rate sewer revenues

<i>Pro forma</i> Present Rate Revenues	\$	90,360	
Times: 2008-2009 IURC Fee		<u>0.1203993%</u>	
<i>Pro forma</i> IURC Fee	\$	109	
Less: Test Year IURC Fee		<u>(61)</u>	
Adjustment Increase (Decrease)	\$	<u>48</u>	

(14)

Depreciation Expense

To adjust operating expenses to reflect current depreciation expense

Sewer Utility Plant In Service (Per Sch. 7S)	\$	134,530	
Less: Land		<u>-</u>	
Sewer Adjusted Depreciable Utility Plant	\$	134,530	
Times: Composite Depreciation Rate		<u>2.50%</u>	
<i>Pro forma</i> Depreciation Expense	\$	3,363	
Less: Test Year		<u>(4,213)</u>	
Adjustment Increase (Decrease)	\$	<u>(850)</u>	

(15)

Rate Case Amortization

To adjust operating expenses to reflect an increase due to the amortization of rate case expenses for Cause No. 43579.

Accounting Consultant	\$	12,500	
Legal Fees		<u>40,000</u>	
<i>Pro forma</i> rate case expense		52,500	
Divide: Amortization Period		<u>5</u>	
<i>Pro forma</i> rate case expense		10,500	
Times: Sewer portion		<u>75.00%</u>	
<i>Pro forma</i> Sewer rate case expense		7,875	
Less: Test Year Amortization		<u>(2,058)</u>	
Adjustment Increase (Decrease)	\$	<u>5,817</u>	

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Sewer Utility Expense Adjustments

(16)

Utility Receipts Tax

To adjust operating expenses to reflect Utility Receipts Tax on Present Rate Sewer Revenues.

<i>Pro forma</i> present rate sewer revenues	\$	90,360	
Times: Utility Receipts Tax Rate		<u>1.40%</u>	
<i>Pro forma</i> Utility Receipts Tax			\$ 1,265
Less: Test Year Utility Receipts Tax			<u>(850)</u>
Adjustment Increase (Decrease)			<u>\$ 415</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Calculation of Sewer Utility Rate Base

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Utility Plant in Service at 12/31/2008	\$ 184,507	\$ 184,507	\$ -
Add: 2008 Capitalized Expenditures	13,296	13,296	-
Less: 2000 Sewer Line Improvements	-	(22,000)	(22,000)
2002 Sewer Line Additions	-	(33,845)	(33,845)
2007 Hydraserve Pump	-	(3,719)	(3,719)
2007 Hydraserve Pump	-	(3,709)	(3,709)
Gross Utility Plant in Service	<u>197,803</u>	<u>134,530</u>	<u>(63,273)</u>
Less: Accumulated Depreciation	56,473	56,473	-
Plus: Accumulated Depreciation on disallowed Improvements	-	(5,686)	(5,686)
Net Utility Plant in Service	<u>141,330</u>	<u>83,743</u>	<u>(57,587)</u>
Add: Materials & Supplies	-	-	-
Unamortized Acquisition Adjustment	31,868	-	(31,868)
Working Capital (see below)	7,022	6,697	(325)
Total Original Cost Rate Base	<u>\$ 180,220</u>	<u>\$ 90,440</u>	<u>\$ (89,780)</u>

Working Capital Calculation

Operation & Maintenance Expense	\$ 60,974	\$ 65,578	\$ 4,604
Less: Purchased Water	-	-	-
Purchased Power	4,800	12,000	7,200
	<u>56,174</u>	<u>53,578</u>	<u>(2,596)</u>
Adjusted Operation & Maintenance Expense	56,174	53,578	(2,596)
Times: 45 Day Factor	<u>0.125</u>	<u>0.125</u>	<u>-</u>
Working Capital Requirement	<u>\$ 7,022</u>	<u>\$ 6,697</u>	<u>\$ (325)</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Comparison of Petitioner's and OUCC's
Water Utility Revenue Requirements

	Per Petitioner		Per		More (Less)
	w/Project	w/o Project	OUCC	Ref	
Original Cost rate Base	\$ 387,776	\$ 115,276	\$ 24,295	7W	\$ (90,981)
Times: Weighted Cost of Capital	10.06%	10.06%	10.00%		-0.06%
Net Operating Income Required for Return on Rate base	39,011	11,598	2,430		(9,168)
Less: Adjusted Net Operating income	(21,747)	(21,747)	5,554	4W	27,301
Net Revenue Requirement	60,758	33,345	(3,124)		(36,469)
Gross Revenue Conversion Factor	101.4%	101.4%	104.27%		2.85%
Recommended Revenue Increase	<u>\$ 61,623</u>	<u>\$ 33,817</u>	<u>\$ (3,257)</u>		<u>\$ (37,074)</u>
Recommended Percentage Increase	<u>271.30%</u>	<u>148.88%</u>	<u>-10.81%</u>		<u>-159.70%</u>

	Proposed			OUCC
	Petitioner		OUCC	More (Less)
	w/Project	w/o Project		
Current flat rate per EDU = \$17.25	\$ 64.05	\$ 42.93	\$ 15.38	\$ (27.55)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Gross Revenue Conversion Factor

		Per Petitioner		Per
		w/Project	w/o Project	OUC
1	Gross revenue Change	100.00%	100.00%	100.0000%
2	Less: Bad Debt Rate (5% of residential sales)	0.0000%	0.0000%	2.6115%
3	Sub-total	100.00%	100.00%	97.3885%
4	Less: IURC Fee	0.00%	0.00%	0.1172551%
5	Income Before State Income taxes	100.00%	100.00%	97.2712%
6	Less: State Income Tax (8.5% of Line 5)	0.00%	0.00%	0.0000%
7	Utility Receipts Tax (1.4% of Line 3)	1.40%	1.40%	1.3634%
8	Income before Federal income Taxes	98.60%	98.60%	95.9078%
9	Less: Federal income Tax (34% of Line 8)	0.00%	0.00%	0.0000%
10	Change in Operating Income	98.60%	98.60%	95.9078%
11	Gross Revenue Conversion Factor	101.42%	101.42%	104.27%

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Per Petitioner	Per OUC	OUC More (Less)
Operating Revenues			
Residential Sewer Service	\$ -	\$ (828)	\$ (828)
Commercial Sewer Service	-	8,234	8,234
Penalties	-	-	-
	<u>-</u>	<u>7,406</u>	<u>7,406</u>
O&M Expense			
Materials & Supplies	1630	815	(815)
Accounting Fees	263	131	(132)
Legal Fees	-11461	(5,992)	5,469
Capital/Non-recurring Costs	(3,108)	(4,375)	(1,267)
Contract Labor	-	(3,285)	(3,285)
Duplicate or Non-Utility Expenses	-	(650)	(650)
Bad Debt Expense	-	787	787
Billing Expenses	-	423	423
IURC Fee	(14)	15	29
Depreciation Expense	5,961	(799)	(6,760)
Acquisition Adjustment Amortization	343	-	(343)
Rate Case Amortization	(1,494)	1,939	3,433
Taxes Other than Income:			
Sales Tax	(59)	(59)	-
Property Tax	-	-	-
Utility Receipts Tax	35	139	104
Total Operating Expenses	<u>(7,904)</u>	<u>(10,911)</u>	<u>(3,007)</u>
Net Operating Income	<u>\$ 7,904</u>	<u>\$ 18,317</u>	<u>\$ 10,413</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Pro-forma Water Utility Net Operating Income Statement

	Year Ended 12/31/2008	Adjustments	Sch Ref	Pro-forma Present Rates	Adjustments	Sch Ref	Pro-Forma Proposed Rates
Operating Revenues							
Residential Sewer Service	\$ 16,560	\$ (828)	5W-1	\$ 15,732	\$ (1,701)	1W	\$ 14,031
Commercial Sewer Service	6,154	386	5W-2	14,388	(1,556)	1W	12,832
		7,848	5W-3				
Penalties	-			-	-	1W	-
				-			-
Total Operating Revenues	<u>22,714</u>	<u>7,406</u>		<u>30,120</u>	<u>(3,257)</u>		<u>26,863</u>
O&M Expense	32,488			20,357			20,268
Materials & Supplies		815	6W-1				
Accounting Fees		131	6W-2				
Legal Fees		(5,992)	6W-3				
Capital/Non-recurring Costs		(4,375)	6W-4				
Contract Labor		(3,285)	6W-5				
Duplicate or Non-Utility Expenses		(650)	6W-6				
Bad Debt Expense		787	6W-7		(85)	1W	
Billing Expenses		423	6W-8				
IURC Fee		15	6W-9		(4)	1W	
Depreciation Expense	1,477	(799)	6W-10	678			678
Rate Case Expense Amortization	686	1,939	6W-11	2,625			2,625
Taxes Other than Income:							
Sales Tax	59	(59)	6W-12	-			-
Property Tax	484	-		484			484
Utility Receipts Tax	283	139	6W-13	422	(44)	1W	378
Total Operating Expenses	<u>35,477</u>	<u>(10,911)</u>		<u>24,566</u>	<u>(133)</u>		<u>24,433</u>
Net Operating Income	<u>\$ (12,763)</u>	<u>\$ 18,317</u>		<u>\$ 5,554</u>	<u>\$ (3,124)</u>		<u>\$ 2,430</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Revenue Adjustments

Current Equivalent Dwelling Units --			Equivalent Dwelling Units for Rate Purposes		
Residential	84.0	52.2%	Occupied Residential Homes	76.0	52.2%
Commercial	77.0	47.8%	Pro-rated Commercial EDUs	69.5	47.8%
	<u>161.0</u>			<u>145.5</u>	

(1)

Decrease Number of Residential EDUs

To decrease residential EDUs from 80 to 76 -- estimated number of occupied homes at 3/31/09

Number of Residential EDUs to be billed	76.00		
Rate per EDU	<u>\$ 17.25</u>		
Monthly Residential Revenue		1,311	
Times: 12 months		<u>12</u>	
Annual Residential Revenue			15,732
Less: Test Year Commercial Revenues			<u>(16,560)</u>
Adjustment Increase (Decrease)			<u>\$ (828)</u>

(2)

Increase Commercial Revenues per Cause No. 41913

To increase commercial test year revenues for the rate increase in effect since approximately June 2003.

Current water rate per EDU	\$ 17.25		
Number of EDUs to be billed to Heartland Resort	<u>31.57</u>		
Monthly Commercial Sewage Revenue		545	
Times: 12 months		<u>12</u>	
Annual Commercial Sewage Revenue			6,540
Less: Test Year Commercial Sewage Revenues			<u>(6,154)</u>
Adjustment Increase (Decrease)			<u>\$ 386</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Revenue Adjustments

(3)

Increase Commercial EDUs

To increase commercial EDUs from 31.57 to 69.5 due to increase in Heartland Resort facilities.

Updated EDUs to be billed to Heartland Resort	69.50		
Rate per EDU	<u>\$ 17.25</u>		
<i>Pro forma</i> Monthly Commercial Sewage Revenue		1,199	
Times: 12 months		<u>12</u>	
<i>Pro forma</i> Annual Commercial Sewage Revenue			14,388
Less: Adjusted Test Year Commercial Sewage Revenues			<u>(6,540)</u>
Adjustment Increase (Decrease)			<u><u>\$ 7,848</u></u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Expense Adjustments

(1)

Additional Materials and Supplies Expense

To adjust operating expenses to reflect expenses paid by Heartland for Water Utility materials and supplies.

Supplies purchased from Mid South Supply during 2008	\$ 3,260.95
Times: Water Portion	<u>25.0%</u>
Adjustment Increase (Decrease)	\$ 815

(2)

Accounting Fees

To adjust operating expenses to reflect expenses paid by Heartland for accounting services.

Prepare IURC Annual Report	\$ 225
Prepare Federal & State "S" Corp Returns	<u>300</u>
<i>Pro forma</i> Accounting Fees	\$ 525
Times: Water Portion	<u>25.00%</u>
Adjustment Increase (Decrease)	\$ 131

(3)

Legal Fees

To adjust operating expenses to reflect the elimination of legal fees (Bose McKinney Evans) from test year operating expenses. Legal costs related to rate case expense are included in adjustment (13) below.

Invoice #	Date	Rate Case Expense	Non-Allowed Expenses		Total Invoice
			Personal	Investigation	
417019	01.14.08	-	905.90	-	905.90
422085	03.10.08	-	140.00	-	140.00
425994	04.18.08	-	-	1,937.00	1,937.00
428200	05.13.08	-	-	2,571.02	2,571.02
433867	07.18.08	-	-	768.00	768.00
437557	08.21.08	-	-	608.00	608.00
438867	09.11.08	408.00	-	4,173.10	4,581.10
441638	10.14.08	683.48	-	4,224.92	4,908.40
444127	11.10.08	1,062.02	-	2,211.78	3,273.80
446293	11.30.08	672.51	-	3,601.89	4,274.40
		<u>2,826.00</u>	<u>1,045.90</u>	<u>20,095.72</u>	<u>23,967.62</u>

Times: Water Portion 25%

Adjustment Increase (Decrease) \$ (5,992)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Expense Adjustments

(4)

Capital/Non-Recurring Costs

To reduce operating expenses for costs that are non-recurring or capital in nature.

Capital Costs

R. Turner Plumbing	04.15.08	Repair/Shut-off valve	\$	2,000
R. Turner Plumbing	04.22.08	Repair/Shut-off valve		2,121
R. Turner Plumbing	12.01.08	Repair/Shut-off valve		2,093
				<u>6,214</u>
Times: Capital Portion (per Petitioner)				<u>50.0%</u>

3,107

Non-Recurring Costs

Triad Associates	11.30.08	#200834A-1		<u>1,268</u>
Engineering services for proposed water project				

Adjustment Increase (Decrease) \$ (4,375)

(5)

Contract Labor Costs

To adjust operating expenses to reflect the elimination of contract labor costs. Duties performed by John Salis and covered under Management Contract.

Test Year Contract Labor Charges	<u>3,285</u>
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Adjustment Increase (Decrease) \$ (3,285)

(6)

Duplicate Expenses or Non-Utility Expenses

To eliminate excess test year costs due to inclusion of two years' of expense in the test year.

Duplicate Expenses:

Alliance of Indiana Rural Water	annual dues	\$	100
IDEM Public Drinking Water Fee			350
			<u>450</u>

Non-Utility Expenses:

IDEM Public Drinking Water Fee - Heartland	2008	100
IDEM Public Drinking Water Fee - Heartland	2009	100
		<u>200</u>

Adjustment Increase (Decrease) \$ (650)

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Expense Adjustments

(7)

Bad Debt Expense

To adjust test year operating expenses to include estimated bad debt expense related to the Utility direct billing residential customers.

Pro forma Residential Water Revenues	\$	15,732	
Times: Estimated Bad Debt %		5.00%	
Adjustment Increase (Decrease)	\$	787	

(8)

Direct Invoicing Expenses

To adjust test year operating expenses to include estimated expenses related to direct billing of residential customers.

Number of Annual bills --

Number of Residential Customers	76		
Less: Current Riley Village HOA invoice	(1)		
Total additional monthly invoices		75	
Times: Number of Months		12	
Additional Annual Invoices			900

Estimated Cost Per Invoice Mailed --

Postage Per Customer	\$	0.42	
Envelopes (\$15 for 500)		0.03	
Invoice Printed In-House		0.05	
Estimated Cost Per Invoice Mailed	\$	0.50	
Times: Number of Additional Invoices		900	
Pro forma additional annual invoice cost			450
Times: Water Portion			25.00%
Total estimated costs for postage, envelopes, and invoice	\$		113

Clerical Wages --

Hourly Cost of Employee (\$12 x 1.0765)	\$	12.92	
Times: Number of hours per month		8	
Estimated Monthly Clerical Wages		103.36	
Times: Number of Months		12	
Estimated Annual Clerical Wages	\$	1,240	
Times: Water Portion			25.00%
Estimated Annual Wages			310

Adjustment Increase (Decrease) **\$ 423**

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Expense Adjustments

(9)

IURC Fee

To adjust operating expenses to reflect the IURC fee on present rate water revenues

<i>Pro forma</i> Present Rate Revenues	\$	30,120	
Times: 2008-2009 IURC Fee		<u>0.1203993%</u>	
<i>Pro forma</i> IURC Fee	\$	36	
Less: Test Year IURC Fee		<u>(21)</u>	
Adjustment Increase (Decrease)	\$	<u>15</u>	

(10)

Depreciation Expense

To adjust operating expenses to reflect current depreciation expense

Water Utility Plant In Service (Per Sch. 7W)	\$	33,889	
Less: Land		<u>-</u>	
Sewer Adjusted Depreciable Utility Plant	\$	33,889	
Times: Composite Depreciation Rate		<u>2.00%</u>	
<i>Pro forma</i> Depreciation Expense	\$	678	
Less: Test Year		<u>(1,477)</u>	
Adjustment Increase (Decrease)	\$	<u>(799)</u>	

(11)

Rate Case Amortization

To adjust operating expenses to reflect an increase due to the amortization of rate case expenses for Cause No. 43579.

Accounting Consultant	\$	12,500	
Legal Fees		<u>40,000</u>	
<i>Pro forma</i> rate case expense		52,500	7,756
Divide: Amortization Period		<u>5</u>	\$ 7,756
<i>Pro forma</i> rate case expense		10,500	
Times: Water portion		<u>25.00%</u>	
<i>Pro forma</i> Sewer rate case expense			2,625
Less: Test Year Amortization			<u>(686)</u>
Adjustment Increase (Decrease)	\$		<u>1,939</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Water Utility Expense Adjustments

(12)

Sales Tax

To adjust operating expenses to reflect the elimination of sales tax expenses during the test year in error.

Test Year Sales Tax	\$	59	
Adjustment Increase (Decrease)			<u>\$ (59)</u>

(13)

Utility Receipts Tax

To adjust operating expenses to reflect Utility Receipts Tax on Present Rate Water Revenues.

<i>Pro forma</i> present rate water revenues	\$	30,120	
Times: Utility Receipts Tax Rate		<u>1.40%</u>	
<i>Pro forma</i> Utility Receipts Tax			\$ 422
Less: Test Year Utility Receipts Tax			<u>(283)</u>
Adjustment Increase (Decrease)			<u>\$ 139</u>

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Calculation of Water Utility Rate Base

	Per Petitioner		(C)	(C) - (B)
	(A)	(B)	Per	OUCC
	w/Project	w/o Project	OUCC	More (Less)
Utility Plant in Service at 12/31/2008	\$ 96,299	\$ 96,299	\$ 96,299	\$ -
Add: 2008 Capitalized Expenditures	16,199	16,199	3,107	(13,092)
Proposed Water Main Project	272,500	-	-	-
Less: 2001 Water Line Additions	-	-	(31,672)	(31,672)
2002 Water Line Additions (Sec. 700)	-	-	(33,845)	(33,845)
Gross Utility Plant in Service	384,998	112,498	33,889	(78,609)
Less: Accumulated Depreciation	17,850	17,850	17,850	-
Plus: Accumulated Depreciation on disallowed Improvements	-	-	(6,322)	(6,322)
Net Utility Plant in Service	367,148	94,648	22,361	(72,287)
Add: Materials & Supplies	-	-	-	-
Unamortized Acquisition Adjustment	16,804	16,804	-	(16,804)
Working Capital (see below)	3,824	3,824	1,934	(1,890)
Total Original Cost Rate Base	<u>\$ 387,776</u>	<u>\$ 115,276</u>	<u>\$ 24,295</u>	<u>\$ (90,981)</u>

Working Capital Calculation

Operation & Maintenance Expense	\$ 35,395	\$ 35,395	\$ 20,268	\$ (15,127)
Less: Purchased Water	-	-	-	-
Purchased Power	4,800	4,800	4,800	-
Adjusted Operation & Maintenance Expense	30,595	30,595	15,468	(15,127)
Times: 45 Day Factor	0.125	0.125	0.1250	
Working Capital Requirement	<u>\$ 3,824</u>	<u>\$ 3,824</u>	<u>\$ 1,934</u>	<u>\$ (1,890)</u>

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
SUGAR CREEK UTILITY COMPANY, INC.) CAUSE NO. 43579
FOR APPROVAL OF A CHANGE IN)
RATES AND CHARGES.) Served: 2/20/09

**SUGAR CREEK UTILITY COMPANY, INC.'S
RESPONSES TO THE OUCC'S FIRST, SECOND, AND THIRD SETS OF DATA
REQUESTS**

Sugar Creek Utility Company, Inc. ("Sugar Creek") submits its Responses to the Indiana Office of Utility Consumer Counselor's ("OUCC") First, Second, and Third Sets of Data Requests as follows:

GENERAL OBJECTIONS:

I. Sugar Creek objects to the OUCC's Data Requests insofar as the OUCC attempts to impose upon Sugar Creek obligations different from, or in excess of, those imposed by the Indiana Rules of Trial Procedure, the Indiana Administrative Code or by the administrative law judge.

2. Sugar Creek objects to the Requests to the extent they seek disclosure of private and confidential business plans, analysis, strategies, data, customer records and other sensitive information protected from unwarranted disclosure or discovery by applicable law. Sugar Creek will not disclose such information until such time as an appropriate confidentiality order has been entered by the Commission and executed by the parties.

3. Sugar Creek objects to the Requests to the extent they seek information protected by the attorney-client privilege, the work-product doctrine, or other applicable privileges and protections. Sugar Creek hereby claims all applicable privileges and protections to the fullest extent implicated by the Requests and excludes privileged information and materials from its responses. Any disclosure of such information or materials as a result of Sugar Creek's responses or otherwise is inadvertent and is not intended to waive any applicable privileges or protections.

4. Sugar Creek reserves all objections as to relevance and materiality. Sugar Creek submits these responses and is producing materials in response to the Requests without conceding the relevancy or materiality of the information or materials sought or produced, or their subject matter, and without prejudice to Sugar Creek's right to object to further discovery, or to object to the admissibility of proof on the subject matter of any response, or to the admissibility of any document or category of documents, at a future time. Any disclosure of information not responsive to the Requests is inadvertent and is not intended to waive Sugar Creek's right not to produce similar or related information or documents.

5. Sugar Creek objects to the Requests to the extent they call for identification of, or information contained in or derived from: (a) news articles, trade press reports, published industry services or reference materials, or similar publicly-available sources that are available for purchase or otherwise to the OUCC; (b) materials that are part of the public record in any legislative, judicial or administrative proceeding and reasonably available to the OUCC; (c) materials generated by the OUCC and thus presumably in the OUCC's own possession, custody or control; (d) materials otherwise

available to the OUCC where response to the Request would impose unnecessary or unjust burdens or expense on Sugar Creek under the circumstances; and/or (e) previously submitted or available to the OUCC in prefiled testimony, pre-hearing data submissions and other documents already filed with the Commission in the pending proceeding.

Subject to and without waiving the foregoing General Objections, each of which are incorporated by reference into the responses below as if fully restated therein, Sugar Creek provides the following responses to the OUCC's Requests. Sugar Creek's responses are based on the best information presently available; Sugar Creek reserves the right to amend, supplement, correct or clarify answers if other or additional information is obtained, and to interpose additional objections if deemed necessary.

REQUESTS

Q-1: In Cause No. 41913, ordering paragraph (2), the Commission required Sugar Creek to file a tariff schedule reflecting the agreed rates per EDU for Riley Village and Heartland Resort. Did Sugar Creek file this tariff schedule? If so, please provide a copy of the tariff schedule showing the Commission's stamp. If not, why not?

Response: Sugar Creek believes that it did file the tariff schedule as directed by the Commission's Order dated June 29, 2001 in Cause Nos. 41913 and 41881. Despite efforts to locate a copy of the filing in its own files, and inquiring of its counsel and accountant, Sugar Creek has been unable to locate a copy of the filing showing the Commission stamp. Sugar Creek first became aware that the Commission did not have a copy of the tariff in late January, 2009. Sugar Creek has prepared a revised tariff and intends to file it with the IURC in the next few days.

Q-2: Petitioner has provided current tariff information on pages S24 and W26 of its rate case accounting schedules. When one divides the Commercial (Heartland Resort) rate by the EDU rate it appears that 29.73 EDU's have been allocated to Heartland Resort. What is the current number of EDUs applied to the Heartland Resort in calculating its monthly rates for sewer and water service? Please provide the detailed calculation used to determine the current number of EDUs including any documents, analyses, or evidence to support such number.

Response: Sugar Creek has not changed the EDU allocation from that determined in the last IURC rate case.

Q-3: Please provide a list of all asset additions and retirements since 12/31/1998 including a description of the asset and the value of the asset. Also, please provide all supporting documentation for each asset addition/ retirement during this time period.

	<u>1998</u>	<u>2008</u>	<u>Increase</u>
Total Water Assets	\$28,042	\$ 96,299	\$68,257
Total Sewer Assets	\$87,110	\$184,507	\$97,397

Response: Information requested is attached.

Q-4: Sugar Creek's IURC annual reports for the years 2005 – 2007 reference a "possible expansion of CTA to Mohawk." Is Sugar Creek still anticipating an expansion of its CTA or service territory? If yes, please provide a detailed description of this expansion project.

Response: No.

Q-5: Please explain why the water volumes pumped and sold, as reported in Sugar Creek's IURC annual reports, are exactly the same in 2006 and 2005 (7,666,000 gallons). Are actual volumes available for 2006?

Response: Actual volumes are not available. They are estimated based on calculations from the sewer discharge reports.

Q-6: Please explain why the total gallons treated, as reported in Sugar Creek's IURC annual reports, are exactly the same in 2006 and 2005 (9,550,590 gallons). Are actual volumes available for 2006?

Response: It is possible that the 2006 annual report used estimates based on the gallons treated in 2005. Sugar Creek's internal records show that the actual volume of gallons treated in 2006 was 9,419,320.

Q-7: Please state Heartland's average flow for both water and sewer service. Please explain how each was derived.

Response: For water service, the flow meter was not operational between 2002 and December, 2008. Between 12/3/08 and 12/26/08, the meter showed that Heartland's water usage was 9,800 gallons and Riley Village's usage was 63,600 gallons. Accurate data is not available for January, 2009 due to a main break. Sewage flow is measured by Astbury Environmental Engineering, and monitors are not

configured to separately measure sewage flows of Heartland Resort and Riley Village. Astbury's reports show that the aggregate average flow from 12/29/08 to 1/27/09 was 1,469,700 gallons. Astbury is currently investigating whether the flow monitor is accurate because the December-January flow figure is higher than normal and there appear to be no usage changes that would otherwise explain the increased flow.

Q-8: Please state which lots in Riley Village have received water service connections since April 1996.

Objection: Sugar Creek objects to Question 8 on the grounds that it calls for a calculation or analysis that Sugar Creek has not performed and that it objects to performing.

Response: Subject to, and without waiver of the foregoing objection, Sugar Creek does not possess any documents that readily show the lot numbers of every Riley Village lot that received water service connections since April 1996. Sugar Creek is aware that 17 homes in the new section of Riley Village were constructed and received water service connections after 1996, and Sugar Creek believes that 3 or 4 homes in the old section of Riley Village were constructed and received water service connections after April 1996.

Q-9: Please state whether any campsites or other amenities have been added to Heartland Resort since January 2001. Please describe any such additions.

Response: Since January 2001, a total of nineteen (19) additional campsites exist in Heartland Resort. Since January 2001, thirty (30) new campsites were added to the 700 section of Heartland Resort, and eleven (11) campsites were removed in the lower section of Heartland Resort.

Q-10: Please state Sugar Creek Utility Company, Inc.'s legal form (i.e., C-Corp, S-Corp, LLC, etc.).

Response: Sugar Creek Utility Company, Inc.'s legal form is S-Corp.

Q-11: How many campground sites in Heartland Resort include sewer connections?

Response: Approximately 200.

Q-12: How many campground sites in Heartland Resort do not include sewer connections?

Response: Approximately 80.

Q-13: What was the number of dumps in Heartland's dump station in the test year?
What does Heartland charge per dump?

Response: 31 dumps in 2008.

Q-14: What is the total seating capacity of Heartland's picnic pavilions?

Response: Approximately 300.

Q-15: Do Heartland's banquet halls include any kitchen facilities? Please describe.

Response: Each of the two banquet rooms has its own kitchen facility with small, non-commercial grade appliances including a stove, refrigerator and sink.

Q-16: Do Heartland's banquet halls include any bathroom facilities? Please describe.

Response: Each of the two banquet rooms has a ladies' and men's' room, which house toilets and sinks.

Q-17: What is the flow of water to Riley Village during the test year, by month if available?

Response: Not available.

Q-18: Sugar Creek proposes to include a return on and of its acquisition adjustment (both water and sewer). Please answer the following questions related to Sugar Creek's proposed acquisition adjustment:

- a) Please provide the date and describe the transaction that generated the acquisition adjustment.
- b) Please provide a copy of any journal entries made to record the acquisition adjustment.
- c) Please cite the IURC order number (and page number) that authorizes Sugar Creek to earn both a return on and of its acquisition adjustment for ratemaking purposes.
- d) Why does Sugar Creek believe it is entitled to earn a return on its acquisition adjustment? Please cite any orders that Sugar Creek relies on to support its opinion.
- e) Why does Sugar Creek believe it is entitled to earn a return of its acquisition adjustment? Please cite any orders that Sugar Creek relies on to support its opinion.

- f) Has Sugar creek been amortizing its recorded acquisition adjustment? If not, why not? If yes, please state the annual amortization amount and provide a detailed calculation of the amount.

Response:

- a) Mr. Salis purchased the utility and Heartland Resort out of bankruptcy in a single transaction in 1995.
b) The information sought is 14 years old and is not housed at Sugar Creek's offices. Sugar Creek is attempting to obtain these documents from the accountant involved in the transaction and will forward the documents to the OUCC if and when they are obtained.
c) The IURC's Orders are public documents and the information sought by Question 18(c) is equally available to the OUCC as to Sugar Creek.
d) The \$50,000 acquisition adjustment is the amount reflected on Sugar Creek's books and the amount reported in its annual reports to the IURC. It is the difference between the purchase price and the book value of the acquired utility assets. Indiana is a fair value state. The acquisition adjustment is a mechanism in which the book value is increased to reflect the fair value of Petitioner's plant value; therefore, utilities are entitled to earn a return on its fair value rate base.
e) See answer to Q-18 (d).
f) The acquisition adjustment is being amortized for the first time in this filing. No past amortization has occurred. The annual amortization is reflected on page S-16 and W-16 of Mr. Callahan's pre-filed testimony. The detail to the calculation is provided on those pages as well.

Q-19: How many wells serve Heartland Resort? How many of these wells does Sugar Creek operate?

Response: Two (2) wells serve Heartland Resort, and both are operated by Sugar Creek.

Q-20: Please provide a copy of Sugar Creek's current rules and regulations, bylaws, and articles of incorporation.

Response: Because Sugar Creek only has two customers (Heartland Resort and the Riley Village Homeowner's Association), no rules and regulations are presently in effect. Attached is a copy of Sugar Creek's bylaws and articles of incorporation.

Q-21: Under Sugar Creek's proposal "B", has the Utility eliminated from its rate base the current Riley Village main and service lines which will be abandoned? If not, please explain why not, including cites to any IURC orders that support this treatment.

Response: No. The value of the Riley Village main and service lines were not included on the balance sheet and rate base. There would be no reason to deduct this plant if was not recorded in the first place.

Q-22: Are any of the soft costs included in the proposed project costs also included as rate case costs to be amortized and included in annual operating expenses? If not, is Sugar Creek seeking to recover over \$87,500 (\$20,000 (rate case) + \$55,000 (project legal) + \$12,500 (project accounting)) in total consultant fees, either through project financing or rate case amortization? What is the estimated engineering expense associated with the project? Is the engineering expense embedded in the \$205,000 estimate?

Response: When a utility is engaged in a capital improvement project, it is normal to include the soft costs, including legal and rate consulting services, in the project costs. The \$67,500 (project legal and project accounting) soft costs included in the project will be funded through issuance of long-term debt. The \$67,500 soft costs will be capitalized and depreciated. Petitioner's annual revenue requirements would include the depreciation expense and return on rate base on these costs. The \$67,500 soft costs are not amortized and included in operation & maintenance expenses.

The \$20,000 rate case expense is for Petitioner's next rate case and is amortized over eight (8) years. The annual amortization is included in Petitioner's operation and maintenance expenses. This \$2,500 annual amortization is split evenly between the water and sewer divisions. Petitioner has included \$1,250 expense for both the water and sewer divisions.

In Mr. Callahan's testimony on page 13, he states that the total project is estimated at \$205,000 and that this amount includes only the construction, engineering fees, permits and some inspections. Subsequently, the SRF stimulus package program came to our attention and the estimated project cost has been restated as shown in Response to Question 28. The difference in the original estimate in Mr. Callahan's testimony of \$205,000 and the restated estimate can be explained by the additional requirements of the SRF. Sugar Creek will propose a true-up once actual costs are determined.

Q-23: Please provide copies of Sugar Creek Utility Company's state and federal income tax returns for the years 2006 and 2007.

Response: Sugar Creek believes that the OUCC's staff reviewed and kept copies of these documents during its on-site audit in February, 2009. If the OUCC determines that it requires additional information relative to Sugar Creek's 2006-2007 state or federal tax returns, Sugar Creek will supply any additional available information.

Q-24: Please provide a copy of the loan agreement and any other documentation for the "loan payable – officers" (\$212,785 as of 12/31/2008) shown on Sugar Creek's balance sheet. Please provide a drawdown schedule for this loan from its inception. Please state the interest rate and whether the balance at 12/31/08 includes any accrued interest.

Response: No such loan agreement or drawdown schedule exists. The loans are interest free. The officer provides working capital as needed and is recorded as a loan payable on the balance sheet. For this reason, the loan balance has been reclassified for ratemaking purposes as "Additional Paid-in Capital".

Q-25: Please explain why Sugar Creek is using a 3% depreciation rate for its sewer utility plant and cite any IURC orders giving Sugar Creek the authority to use this depreciation rate.

Response: The correct depreciation rate for the sewer rate should be 2.5% not 3.0% as used in Petitioner's pre-filed testimony. Sugar Creek intends to file errata to correct Mr. Callahan's testimony.

Q-26: Please explain why Sugar Creek is using a 2% depreciation rate for its water utility plant and cite any IURC order giving Sugar Creek the authority to use this depreciation rate. Does Sugar Creek believe that its water system includes a water treatment facility?

Response: According to letter sent on December 28, 1987 to Mr. Michael Gallagher, Chief Accountant from Mr. Jerry Webb, Chief Engineer (both employees of the Indiana Utility Regulatory Commission) the depreciation rate for water utilities is 2.0%.

Q-27: What source of financing does Sugar Creek expect to use to fund the proposed project? Please provide the names of potential lenders, interest rates, and length of loan.

Response: No final determination has been made regarding the source of funding for the proposed project. Petitioner has filed an application with the State Revolving Fund Program to fund its project. The SRF has a "Small Issue Loan Program" with a low interest rate and an amortization period of ten (10) years. They also have a program with an amortization period of twenty (20) years with a competitive interest rate. The other option would be to apply with commercial banks; however, with the current credit crisis and also the fact that Petitioner has not enjoyed a profit for the past few years, this option may be challenging. The Indiana Bond Bank and USDA Rural Development Administration do not appear to be an option.

Q-28: Please provide a detailed listing of estimated costs to complete the proposed project. Will this project be submitted for bid?

Response: Below is the project estimate submitted to the SRF. No final determination has been made as to whether the project will be submitted for bid.

Item	Quantity	Unit Price	Total
6-inch pipe	2,560 LF	\$35.00	\$ 89,600.00
Street Repair	2,560 LF	\$10.00	\$ 25,600.00
6-inch tap	1	\$3,500.00	\$ 3,500.00
6-inch gate valves	3	\$1,200.00	\$ 3,600.00
Dual meter pits w/ meters	37	\$1,800.00	\$ 66,600.00
Restoration	LS		\$ 10,000.00
Sterilization & Testing	LS		\$ 2,000.00
Total - Construction & Materials			\$200,900.00
Engineering – Plans, specs, permits			\$ 19,000.00
Inspection			\$ 5,500.00
Engineering pre work (PER etc. required by SRF			\$ 10,000.00
Other Soft Costs			\$ 34,600.00
GRAND TOTAL			\$270,000.00

Q-29: Please explain why the proposed capital structure under Proposal "A" (no shut-off project) includes the debt for the shut-off project.

Response: The capital structure under Scenario A should not include the debt in the capital structure. The weighted cost of capital should be 12.00% and not 10.06%. Sugar Creek intends to file errata to correct this portion of Mr. Callahan's pre-filed testimony.

Q-30: Please explain why depreciation expense (\$7,438) under Proposal "A" (no shut-off project) is the same as depreciation expense under Proposal "B".

Response: The depreciation expense should not be the same. Under Scenario A, the depreciation expense should be \$1,988 not \$7,438.

Q-31: Please provide a detailed listing of the \$20,000 of proposed rate case expenses. Are any of the test year legal expenses of \$22,922 (\$11,461 (water) and \$11,461 (sewer)) included in the proposed rate case expenses or the proposed project costs?

Response: The \$20,000 proposed rate case expense is the estimate for Petitioner's next rate case. This cost includes \$15,000 for legal and \$5,000 for rate consulting.

Q-32: Please provide a detailed calculation of the estimated legal costs of \$55,000 included in the proposed project costs.

Response: The \$55,000 in legal fees includes the cost of legal services for Cause No. 43534 (investigation) and Cause No. 43579 (rates). It is estimated that legal fees for the investigation will be \$30,000 and legal fees for the rate case will be \$25,000. As of 2/19/09, legal fees for the investigation total approximately \$26,700 and legal fees for the rate case total approximately \$10,800. Substantial additional legal work is still required in the rate case, and a moderate amount of legal work remains to be performed in connection with the investigation. Examples of the legal work performed includes, but is not limited to, preparing motions and pleadings, preparation and attendance at meetings with the OUCC, responding to OUCC data requests, hearing preparation and attendance, assistance with drafting and filing testimony.

Q-33: Please provide a detailed calculation of the estimated accounting costs of \$12,500 included in the proposed project costs.

Response: The cost includes attending meetings, preparing rate studies, completing data requests and testifying at the Commission. The fee includes the cost to obtain funding and preparing the necessary financial information required by funding source. The fee is an estimate only.

Q-34: With respect to site prices in Heartland Resort (See attached), what is the difference between "FULL UTILITIES" and "WATER & ELECTRIC UTILITIES ONLY." In other words, what services are provided under "FULL UTILITIES" that are not provided under "WATER & ELECTRIC UTILITIES ONLY"?

Response: "Full Utilities" includes sewage disposal service. "Water & Electric Only" does not include sewage disposal service.

Q-35: Of the campground sites added since 2000, how many sites include sewer connections? How many sites do not include sewer connections?

Response: All of the sites added since 200 have sewer connections.

Q-36: During cross-examination in Cause No. 43534, Mr. Frazell indicated that there are 100 residential structures (homes) in Riley Village, of which 93 appeared to him to be occupied.

- a. What does Sugar Creek consider to be the actual number of residential structures (homes) in Riley Village?
- b. What number of these homes does Sugar Creek consider currently occupied?

Objection: Sugar Creek objects to Question 36 on the grounds that it calls for a calculation or analysis that Sugar Creek has not performed and that it objects to performing.

Response: Pursuant to the IURC's last order setting Sugar Creek's rates, Sugar Creek bills the Riley Village Homeowner's Association ("HOA") for 80 residences, and gives the HOA a credit for 4 residences, which is to reflect the average number of vacant homes. Absent conducting a physical inspection of Riley Village, Sugar Creek does not know the actual number of residential structures. Sugar Creek does not know the number of homes in Riley Village that are currently occupied.

Q-37: Has Sugar Creek considered, investigated, or applied for any grant funding to help pay for the costs of its proposed project? If so, what grant funding has Sugar Creek considered, investigated, or applied for? Please provide copies of any applications completed by Sugar Creek. Please provide copies of any e-mails, letters, or other literature received on any grant funding considered. If Sugar Creek has not considered, investigated, or applied for any grant funding, please explain why not.

Response: Sugar Creek is in the process of investigating available sources of funding and financing for the proposed project including, but not limited to, a low-interest loan from the Indiana State Revolving Fund. See also Response to Question 27. Attached is a copy of Sugar Creek's application to the SRF program, which was submitted to the SRF on February 13, 2009.

Q-38: The OUCC understands that Mr. Salis purchased Heartland Resort and Sugar Creek Utilities through a bankruptcy auction process. Is the OUCC's understanding correct? If no, please explain the nature of Mr. Salis' purchase of Heartland Resort and Sugar Creek Utilities.

Response: Yes.

Q-39: Did Mr. Salis purchase Heartland Resort and Sugar Creek Utilities as part of one aggregate transaction or were these two separately negotiated purchases? If purchased together, please explain how the purchase price was allocated between

the Resort and the Utilities. Please provide the calculation and any supporting documentation.

Response: Heartland Resort and Sugar Creek Utility Company, Inc. were purchased in one single transaction.

Q-40: Please provide a copy of the purchase agreement for Sugar Creek Utilities including any and all attachments and exhibits. If the Utilities were purchased as part of an aggregate purchase along with the Resort, please provide a copy of this purchase agreement along with all attachments and exhibits.

Response: There was no purchase agreement since the sale was out of bankruptcy.

Q-41: Please provide any and all economic, financial, or other analyses, schedules, or reports that were prepared to determine that a 50% premium was appropriate for the purchase of Sugar Creek Utilities.

Objection: The information sought by this data request is irrelevant and is unlikely to lead to admissible evidence. The "appropriateness" of the premium is not at issue and has already been decided by stipulation. Paragraph 1 of the Modification to Stipulation and Settlement Agreement dated June 27, 2001 in Cause Nos. 38891 and 41913 between the OUCC and Sugar Creek Utilities states: "The parties recognize that as of June 15, 1995, Sugar Creek is entitled to record an accounting acquisition adjustment of \$64,752. The parties agree, however, to defer consideration of the rate making treatment for the acquisition adjustment until Sugar Creek's next rate case." Thus, the information sought in Data Request 41 is irrelevant.

Response: See objection.

Q-42: If this was an aggregate purchase, what premium, if any, was allocated or paid for the Heartland Resort (We note that a premium of \$50,000 was allocated to Sugar Creek Utilities.)? Please provide all economic, financial, or other analyses, schedules, or reports that were prepared to determine the appropriate premium allocated or paid for the Heartland Resort. If a different amount was allocated to Heartland Resort, please explain why.

Response: See Objection and Response to Data Request 41.

Q-43: Are Utility assets separately metered for electrical consumption? If so, please provide copies of all test year invoices for the specific meters related to the Utility's assets. If not, why not?

Response: No. After consulting with the electric utility, Sugar Creek's management considered it costs of separately metering the utility assets outweighed the benefits.

Q-44: If purchased power is not separately metered, please explain how purchased power is allocated between the Utility and Heartland Resort.

Response: When the current owner purchased Sugar Creek and Heartland Resort in 1995, Heartland Resort was not operational and consumed no electric power. At that time, the bill for electric consumption reflected only the consumption of Sugar Creek Utilities, and the amount was \$16,800 per year. For every year since 1995, Heartland Resort has paid the entire electric bill, and has continued to charge the 1995 annual rate of \$16,800 to Sugar Creek.

Q-45: In the cases where shut-off valves have been installed, please answer the following questions:

- (a) Provide copies of the invoice(s) sent to the residential customer for the cost of installing the shut-off valve.
- (b) If no invoice was sent to the customer please explain why not.
- (c) How many customers paid the invoice(s) sent to them or reimbursed the utility for the cost of installing the shut-off valves?
- (d) How much is included in Sugar Creek's rate base for the shut-off valves not reimbursed by customers?
- (e) What category of utility plant were the shut-off valves recorded to?

Response:

- (a) No invoice exists.
- (b) The customer was verbally advised of the charge by Sugar Creek personnel.
- (c) One.
- (d) Included in Sugar Creek's rate base is \$3,108, which reflects a portion of the costs to install shut-off valves on three properties.
- (e) Sugar Creek did not categorize the shut-off valves in its internal accounting system in accordance with the uniform system of accounts. The \$3,108 was found by doing a voucher analysis.

Q-46: Currently, what does Sugar Creek consider to be the water usage in EDU's of the following amenities located in Heartland?

- a. Banquet halls
- b. Meeting room
- c. Club house
- d. Primitive camping
- e. Golf course
- f. Mini-golf
- g. Swimming pool
- h. Dump
- i. Picnic pavilions

Response: Sugar Creek has no way of knowing the specific, individual water usage of each of the above-listed areas because water usage is not separately metered for each of these areas.

Q-47: Currently, what does Sugar Creek consider to be the sewer usage in EDU's of the following amenities located in Heartland?

- a. Banquet halls
- b. Meeting room
- c. Club house
- d. Primitive camping
- e. Golf course
- f. Mini-golf
- g. Swimming pool
- h. Dump
- i. Picnic pavilions

Response: Sugar Creek has no way of knowing the specific, individual sewer usage of each of the above-listed areas because sewage usage is not separately metered for each of these areas.

Q-48: Please describe the number and general location of all shower stalls, bathrooms and toilets in the Heartland Resort.

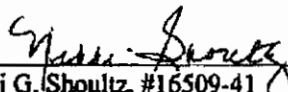
<u>Type of Facility</u>	<u>General Location</u>	<u>Number</u>
Shower	Pool	6
	800 section	4
	2 lower sections	8
Toilets	Banquet Hall	2
	Main Office	3
	Picnic Pavilion	5
	Clubhouse	6
	Camper's Corner	2
	Lower campground	9

Q-49: When was the new Meeting room added to Heartland?

Objection: Sugar Creek objects to this data request on the grounds that it is vague and ambiguous in that it is unclear what is meant by "the new Meeting room."

Response: Subject to, and without waiver of the foregoing objection, if Question 49 refers to the building where the OUCC staff met Mr. Salls in February, 2009, the building was constructed in 2000.

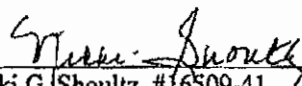
As to objections,


Nikki G. Shultz, #16509-41
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served electronically upon the following
this 20th day of February, 2009:

Daniel LeVay, Esq.
Indiana Office of Utility Consumer Counselor
National City Center, Suite 1500 South
115 West Washington Street
Indianapolis, IN 46204
dlevay@oucc.in.gov


Nikki G. Shultz, #16509-41

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000

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ARTICLES OF AMENDMENT OF THE
ARTICLES OF INCORPORATION

State Form 38333 (R5 / 8-91)

State Board of Accounts Approved 1988

Provided by: JOSEPH H. HOGSETT
SECRETARY OF STATE OF INDIANA
CORPORATIONS DIVISION
302 W. WASHINGTON ST RM E018
INDIANAPOLIS IN 46204
TELEPHONE : (317) 232-6576

INSTRUCTIONS: Use 8 1/2 X 11 inch white paper for inserts. Filing requirements - Present original and one copy to address in upper right corner of this form.

Indiana Code 23-1-38-1 et seq.
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APPROVED
AND
FILED
IND. SECRETARY OF STATE

9504906

ARTICLES OF AMENDMENT OF THE ARTICLES OF INCORPORATION OF:
SALIS, INC.
The undersigned officers of Salis, Inc.

(hereinafter referred to as the "Corporation") existing pursuant to the provisions of:

(Indicate appropriate act)

☒ Indiana Business Corporation Law

☐ Indiana Professional Corporation Act of 1983

as amended (hereinafter referred to as the "Act"), desiring to give notice of corporate action effectuating amendment of certain provisions of its Articles of Incorporation, certify the following facts:

ARTICLE I Amendment(s)
SECTION 1 The date of incorporation of the corporation is: June 15, 1995
SECTION 2 The name of the corporation following this amendment to the Articles of Incorporation is: SUGAR CREEK UTILITY COMPANY, INC.
SECTION 3 The exact text of Article(s) <u>I</u> of the Articles of Incorporation is now as follows: NAME The name of the Corporation is Sugar Creek Utility Company, Inc.
SECTION 4 Date of each amendment's adoption: 6/19/95

95 JUN 22 PM 12:17

RECORDS & COMMUNICATIONS SECTION

USE LINE GILROY

95 JUN 21 12 25

RECEIVED
CORPORATIONS DIV.

ARTICLE II Manner of Adoption and Vote									
SECTION 1 Action by Directors: The Board of Directors of the Corporation duly adopted a resolution proposing to amend the terms and provisions of									
Article(s) <u>I</u>	of the Articles of Incorporation and								
directing meeting of the Shareholders, to be held on <u>June 19, 1995</u> , allowing such Shareholders to vote on the proposed amendment.									
The resolution was adopted by: (Select appropriate paragraph) (a) For the purpose of the proposed amendment, the Board of Directors of the Corporation has adopted the following resolution: (b) For the purpose of the proposed amendment, the Board of Directors of the Corporation has adopted the following resolution:									
Written consent executed on <u>June 19</u> , 19 <u>95</u> , and signed by all members of the Board of Directors.									
SECTION 2 Action by Shareholders: The Shareholders of the Corporation entitled to vote in respect of the Articles of Amendment adopted the proposed amendment. The amendment was adopted by: (Select appropriate paragraph)									
(a) For the purpose of the proposed amendment, the Shareholders of the Corporation have adopted the following resolution:									
<div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; font-size: 1.2em;">9064906</div>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: center; font-weight: normal; font-size: 0.8em;">TOTAL</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS ENTITLED TO VOTE</td> <td style="border: 1px solid black; height: 20px;"></td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED IN FAVOR</td> <td style="border: 1px solid black; height: 20px;"></td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED AGAINST</td> <td style="border: 1px solid black; height: 20px;"></td> </tr> </tbody> </table>		TOTAL	XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS ENTITLED TO VOTE		XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED IN FAVOR		XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED AGAINST	
	TOTAL								
XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS ENTITLED TO VOTE									
XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED IN FAVOR									
XXXXXXXXXXXXXXXXXXXXX SHAREHOLDERS VOTED AGAINST									
(b) Written consent executed on <u>June 19</u> , 19 <u>95</u> , and signed by all such Shareholders.									
SECTION 3 Compliance with Legal Requirements. The manner of the adoption of the Articles of Amendment and the vote by which they were adopted constitute full legal compliance with the provisions of the Act, the Articles of Incorporation, and the By-Laws of the Corporation.									
I hereby verify subject to the penalties of perjury that the statements contained are true this <u>19</u> day of <u>June</u> , 19 <u>95</u> .									
Current Officer's Signature 	Officer's Name Printed <u>John P. Salis, Jr.</u>								
Officer's Title <u>President</u>									

ARTICLES OF INCORPORATION APPROVED

OF

**AND
FILED**

IND. SECRETARY OF STATE

SALIS, INC.

The undersigned incorporator or incorporators, desiring to form a corporation (hereinafter referred to as the "Corporation") pursuant to the provisions of the Indiana Business Corporation Law, Ind. Code §23-1-17 et seq., (such act, as amended from time to time, and its successors are hereinafter referred to as the "Act"), execute the following articles of incorporation.

ARTICLE I

Name

The name of the Corporation is Salis, Inc..

ARTICLE II

Purposes and Powers

1. The purpose for which the Corporation is formed is to transact any and all lawful business for which corporations may be incorporated under the Act.
2. Subject to any limitation or restriction imposed by the Act, any other law, or any provisions of these articles of incorporation, the Corporation shall have:
 - (a) the same capacity to act as possessed by natural persons and to do everything necessary, advisable or convenient for the accomplishment of any of the purposes hereinbefore set forth, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation, and to do all other things incidental thereto or connected therewith which are not forbidden by law;
 - (b) the power to carry out the purposes hereinbefore set forth in any state, territory, district or possession of the United States, or in any foreign country, to the extent that such purposes are not forbidden by the law of any such state, territory, district or possession of the United States or by any such foreign country; and
 - (c) the power to have, exercise and enjoy in furtherance of the purposes hereinbefore set forth all the general rights, privileges and powers granted to corporations by the Act, and by the common law.

RECEIVED
JUN 15 2005
SUE ANNE GILROY

ARTICLE III

Registered Office and Registered Agent

Section 1. Registered Office.

The street address of the registered office of the Corporation located in Indiana is 111 Monument Circle - Suite 4600, Indianapolis, Indiana 46204-5146.

Section 2. Registered Agent.

The name of the Registered Agent whose business office is identical with the registered office is Jon F. Spadorcia.

ARTICLE IV

Terms of Shares

Section 1. Number.

The total number of shares which the Corporation has authority to issue is one thousand (1,000).

Section 2. Designation of Classes.

All the authorized shares of the Corporation shall be of one class only and be designated common stock. The common stock of the Corporation shall in all respects entitle the holder to the same rights and preferences, and subject the holder to the same qualifications, limitations and restrictions as all other shareholders of common stock.

Section 3. Issuance and Consideration.

The common stock may be issued for such an amount of consideration as may be fixed from time to time by the board of directors.

Section 4. Voting Rights.

Subject to any specific restrictions imposed by the Act, at all times each holder of a share of common stock shall be entitled to cast one vote for each share of such stock standing in the shareholder's name on the Corporation's books on the specified record date on each matter upon which the shareholder is entitled to vote. At any meeting of shareholders, the holders of a majority of the shares entitled by these articles of incorporation to be voted on the business to be transacted at such meeting, represented thereat in person or by proxy, shall constitute a quorum. At any meeting of the

shareholders at which a quorum is present, action on a matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing, unless a greater affirmative vote is required by the Act or these articles of incorporation. Notwithstanding the foregoing provisions, the following actions require the affirmative vote of a majority of the issued and outstanding shares entitled to vote on the proposed action:

- (a) authorization by the shareholders of indemnification and advances for expenses (Ind. Code §23-1-37-15);
- (b) amendments to the articles of incorporation which would give rise to dissenters' rights (Ind. Code §23-1-38-3(e)(1)), unless the board of directors acting pursuant to Ind. Code §23-1-38-3(c) requires a greater vote;
- (c) adoption of a plan of merger or share exchange (Ind. Code §23-1-40-3(e)), unless the board of directors acting pursuant to Ind. Code §23-1-40-3(c) requires a greater vote;
- (d) sale, lease, exchange or other disposition of all or substantially all of the corporate property other than in the usual and regular course of business (Ind. Code §23-1-41-2(e)), unless the board of directors acting pursuant to Ind. Code §23-1-41-2(c) requires a greater vote; and
- (e) voluntary dissolution of the Corporation (Ind. Code §23-1-45-2(e)), unless the board of directors acting pursuant to Ind. Code §23-1-45-2(c) requires a greater vote.

Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at which a quorum is present.

Section 5. Dividends.

The board of directors shall have the power to declare and pay dividends on the outstanding shares of common stock to the extent permitted by the Act.

Section 6. Dissolution.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of the shares of the common stock of the Corporation shall be entitled, after due payment or provision for payment of the debts and other liabilities of the Corporation, to share ratably in the remaining net assets of the Corporation.

Section 7. No Preemptive Rights.

Shareholders shall have no preemptive rights to subscribe to or purchase any shares of common stock or other securities of the Corporation.

ARTICLE V

Director(s)

Section 1. Number.

The initial board of directors is composed of two (2) members. The number of directors shall be specified by, or fixed in accordance with, from time to time, the bylaws of the Corporation. In the absence of a bylaw specifying or fixing the number of directors the number shall be the number specified herein for the initial board of directors. The bylaws may provide for staggering the terms of the directors.

Section 2. Names and Post Office Addresses of the Directors.

The names and post office addresses of the initial board of directors of the Corporation are:

<u>Name</u>	<u>Street</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
John P. Salis, Jr.,	1613 West 300 N.	Greenfield, Indiana		46140
Faith M. Salis,	1613 West 300 N.	Greenfield, Indiana		46140

Section 3. Direction of Purpose and Exercise of Powers.

The board of directors, subject to any specific limitations or restrictions imposed by the Act or these articles of incorporation, shall direct the carrying out of the purpose and exercise the powers of the Corporation, without previous authorization or subsequent approval by the shareholders of the Corporation.

ARTICLE VI

Incorporator(s)

The names and post office addresses of the incorporators of the Corporation are:

<u>Name</u>	<u>Street</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
Jon F. Spadorcia,	111 Monument Circle-Suite 4600,	Indianapolis, Indiana		46204-5146

ARTICLE VII

Provisions for Regulation of Business and Conduct of Affairs of Corporation

Section 1. Indemnification.

- (a) Every person who is or was a director of the Corporation (as defined in Ind. Code §23-1-37-2) shall be indemnified by the Corporation against all liability and reasonable expenses (as such terms are defined in Ind. Code §§23-1-37-3 and 4) incurred by such person in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, because such person is or was a director of the Corporation, provided that such person is determined in the manner specified in Ind. Code §23-1-37-12 to have met the standard of conduct specified in Ind. Code §23-1-37-8. Subject to the requirements of Ind. Code §23-1-37-10, the Corporation shall advance to such person the reasonable expenses incurred by him or her in connection with any such action, suit or proceeding. Upon demand for indemnification or advancement of expenses, as the case may be, the Corporation shall proceed as provided in Ind. Code §23-1-37-12 to determine whether such person is entitled thereto. Every person who is or was an officer of the Corporation shall be indemnified, and shall be entitled to an advancement of expenses, to the same extent as if such person were a director.
- (b) If the Corporation indemnifies or advances expenses to a director in connection with a proceeding by or in the right of the Corporation, the Corporation shall report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders' meeting as provided in Ind. Code §23-1-53-2(a).
- (c) Nothing contained in this Section 1 shall limit or preclude the exercise of any right provided under the Act, these articles of incorporation, the Corporation's bylaws, any general or specific action of the board of directors or the shareholders of the Corporation, or any contract relating to indemnification of or the advancement of expenses to any director, officer, employee or agent of the Corporation, or the ability of the Corporation to otherwise indemnify or advance expenses to any director, officer, employee or agent.

Section 2. Conflict of Interest Transaction.

A conflict of interest transaction, as defined in Ind. Code §23-1-35-2(a), is not voidable by the Corporation provided the conflict of interest transaction satisfies the provisions specified in Ind. Code §23-1-35-2.

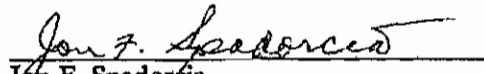
Section 3. Code of Bylaws.

The board of directors of the Corporation shall have the power, without the assent or vote of the shareholders, to make, alter, amend or repeal the Code of Bylaws of the Corporation.

Section 4. Amendments of Articles of Incorporation.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in the articles of incorporation or in any amendment hereto, or to add any provision to the articles of incorporation or to any amendment hereto, in any manner now or hereafter prescribed or permitted by the provisions of the Act, or by the provisions of any other applicable statute of the state of Indiana; and all rights conferred upon shareholders in the articles of incorporation or any amendment hereto are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned, being the incorporator designated herein, executes these articles of incorporation this 15 day of June, 1995, and affirm under penalties of perjury that the statements contained herein are true.


Jon F. Spadorcia

CODE OF BYLAWS

OF

~~SALIS, INC.~~
SUGAR CREEK UTILITY COMPANY, INC. - as amended
6/21/95

ARTICLE I

Identification

Section 1.01. Name. The name of the Corporation is
as amended 6/21/95 Sugar Creek Utility Company, Inc.
~~Salis, Inc.~~, hereinafter referred to as the "Corporation").

Section 1.02. Place of Keeping Corporate Books and Records. The records and documents specified in Section 7.01 of these bylaws shall be kept at the principal office of the Corporation. For purposes of these bylaws, the principal office of the Corporation shall be 2700 First Indiana Plaza, 135 North Pennsylvania St., ~~111 Monument Circle, Suite 4600,~~ Indianapolis, Indiana 46204, which is the location of the Corporation's principal executive offices (in or out of Indiana).

Section 1.03. Fiscal Year. The fiscal year of the Corporation shall be January 1 through December 31 of each year until such time as changed by resolution of the board of directors of the Corporation.

ARTICLE II

Capital Stock

Section 2.01. Amount and Class of Authorized Shares. The authorized shares of the Corporation shall be one thousand (1,000) shares and all shares shall be of one class.

Section 2.02. Issuance of Shares. The board of directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation,

including cash, promissory notes, services performed, contract for services to be performed, or other securities of the Corporation. If shares are authorized to be issued for promissory notes or for promises to render services in the future, the Corporation must comply with the notice requirements of Ind. Code §23-1-53-2(b).

Section 2.03. Certificate for Shares. Certificates for shares of the Corporation shall be issued to a subscriber by the secretary of the Corporation when proper consideration has been paid therefor. Each certificate shall be in such form as required by Ind. Code §23-1-26-6, and as the board of directors may prescribe from time to time.

Section 2.04. Transfer of Certificates. The shares of the Corporation shall be transferable only on the books of the Corporation upon surrender of the certificate or certificates representing the same, properly endorsed by the registered holder or by his duly authorized attorney or agent.

Section 2.05. Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate for shares of stock in the place of any certificate theretofore issued and alleged to have been lost, stolen or destroyed, but the board of directors may require the registered holder of the shares represented by such lost, stolen or destroyed certificate, or the holder's legal representative, to furnish an affidavit as to such loss, theft or destruction and to give a bond in such form and substance, and with such surety or sureties, with fixed or open penalty, as it may direct to indemnify the Corporation against any claim that may be

made on account of the alleged loss, theft or destruction of such certificate. A new certificate may be issued without requiring any bond when, in the judgment of the board of directors, it is not imprudent to do so.

ARTICLE III

Meetings of Shareholders

Section 3.01. Place of Meetings. All meetings of shareholders of the Corporation shall be held at the principal office of the Corporation or at such other place, within or without the state of Indiana, as may be specified in the respective notices or waivers of notice thereof.

Section 3.02. Annual Meeting. The annual meeting of the shareholders for the election of directors, and for the transaction of such other business as may properly come before the meeting shall be held on June 30 following the end of the fiscal year of the Corporation if such day is not a legal holiday, and if such day is a legal holiday, then on the next business day that is not a legal holiday. Failure to hold the annual meeting at the designated time shall not affect the validity of any corporate action.

Section 3.03. Special Meetings. The Corporation must hold a special meeting of shareholders on call of its president, its board of directors, or if the holders of at least twenty-five percent (25%) of all votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the secretary one or more written demands for the special meeting describing the purpose or purposes for which it is to be

held. Only business within the purpose or purposes described in the meeting notice shall be conducted at a special shareholders' meeting.

Section 3.04. Record Date. Unless otherwise determined by resolution of the board of directors, the record date for purposes of determining the identity of shareholders shall be determined as follows:

- (a) for shareholders entitled to demand a special shareholder meeting, the provisions of Ind. Code §23-1-29-2(b) shall apply;
- (b) for shareholders entitled to take action without a meeting, the provisions of Ind. Code §23-1-29-4(b) shall apply;
- (c) for shareholders entitled to receive notice of and vote at shareholder meetings, the provisions of Ind. Code §23-1-29-5(d) shall apply; and
- (d) for shareholders entitled to receive distributions from the Corporation, the provisions of Ind. Code §23-1-28-2 shall apply.

A record date determined by resolution of the board of directors may not be more than seventy (70) days before the meeting or action requiring a determination of shareholders.

Section 3.05. Notice of Meeting. A written or printed notice, stating the date, time and place of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered or mailed by the Corporation

to each holder of the shares of the Corporation at the time entitled to vote at the meeting, at such address as appears upon the records of the Corporation, no fewer than ten (10) days and no more than sixty (60) days before the meeting date. However, notice of a meeting at which any of the following corporate actions is to be considered shall be delivered or mailed to all shareholders of record, whether or not entitled to vote at the meeting, no fewer than ten (10) days and no more than sixty (60) days before the meeting:

- (a) an amendment or amendments to the articles of incorporation requiring shareholder approval;
- (b) an agreement of merger or share exchange requiring shareholder approval;
- (c) the sale, lease, exchange, or other disposition of all, or substantially all, of the Corporation's property other than in the usual and ordinary course of business; or
- (d) a proposal for voluntary dissolution requiring shareholder approval.

Section 3.06. Waiver of Notice. Notice of any meeting of the shareholders may be waived in writing by a shareholder, before or after the date and time stated in the notice, and such waiver shall be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Attendance at any meeting, in person or by proxy: (a) waives objection to lack of notice or defective notice of the meeting unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice,

unless the shareholder objects to consideration of the matter when it is presented.

Section 3.07. Participation in Meetings by Electronic Communications. Any or all shareholders may participate in an annual or special meeting of the shareholders by, or through the use of, any means of communication by which all shareholders participating may simultaneously hear each other during the meeting. Participation by any such shareholder by this means shall be deemed to constitute presence in person at such meeting.

Section 3.08. Voting at Meetings.

(a) Voting Rights. Except as may be otherwise provided by law or the articles of incorporation, every shareholder shall have the right at all meetings of the shareholders to one vote for each share standing in the shareholder's name on the books of the Corporation on the record date for such meetings.

(b) Proxies. A shareholder entitled to vote at any meeting of shareholders may vote either in person or by proxy executed in writing by the shareholder or a duly authorized attorney-in-fact of such shareholder. For purposes of this section, a proxy granted by telegram, telex, telecopy or other document transmitted electronically for or by a shareholder shall be deemed "executed in writing by the shareholder." The general proxy of a fiduciary shall be given the same effect as the general proxy of any other shareholder. No proxy shall be valid eleven months after the date of its execution unless a longer time is expressly provided therein.

(c) Quorum and Voting Requirements. Except as may otherwise be provided by law, at any meeting of shareholders, the quorum as provided in the articles of incorporation, represented thereat in person or by proxy, shall be required before any action of the shareholders may be taken. At any meeting of the shareholders at which a quorum exists, the vote as provided in the articles of incorporation shall be necessary to adopt or approve any action of the shareholders, unless a greater number is required by law. In case a quorum shall not be present at any meeting, the holders of record of a majority of such shares so present in person or by proxy may adjourn the meeting from time to time, without notice, other than announcement at the meeting, until a quorum shall be present. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally scheduled.

(d) Voting Lists. For each meeting of the shareholders, the secretary of the Corporation shall make a complete list of the shareholders entitled by law or by the articles of incorporation to notice thereof, arranged in alphabetical order, with the address and number of shares held by each such shareholder. Such list shall be on file at the principal office of the Corporation or at a place identified in the meeting notice in the city where the

meeting will be held, and subject to inspection at any time during regular business hours for a period of five (5) business days before the date of the meeting for which the list was prepared and continuing through the meeting. A shareholder entitled to vote at the meeting, or the shareholder's agent or attorney authorized in writing, is entitled on written demand to inspect and to copy the list at the shareholder's expense during regular business hours during the period it is available for inspection only if: the shareholder's demand is made in good faith and for a proper purpose; the shareholder describes with reasonable particularity the shareholder's purpose; and the list is directly connected with the shareholder's purpose. The original stock register or transfer book, or a duplicate thereof kept in the state of Indiana, shall be the only evidence as to the shareholders entitled to examine such list, stock ledger or transfer book, or to vote at any meeting of the shareholders.

(e) Voting of Shares Owned by Other Corporations. Subject to any specific restrictions imposed by law, including without limitation, Ind. Code §23-1-30-2, shares of the Corporation standing in the name of another corporation may be voted by such officer, agent or proxy as the board of directors of such other corporation may appoint, or as the bylaws of such other corporation may prescribe.

Section 3.09. Action Without a Meeting. Any action which may be taken at a shareholder meeting may be taken without a meeting if evidenced by one or more written consents describing the action

taken, signed by all shareholders entitled to vote on the action, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Action taken by written consent is effective when the last shareholder signs the consent unless the consent specifies a different prior or subsequent effective date. If notice of the proposed action must be given to the nonvoting shareholders by law, notice shall be given as provided in Ind. Code §23-1-29-4.

ARTICLE IV

The Board of Directors

Section 4.01. Number. The initial number of directors of the Corporation shall be two (2). A variable range board consisting of a minimum of one (1) director and a maximum of nine (9) directors is hereby established. The number of directors may be changed from the initial number of directors to a number within the range herein established by resolution of the board of directors. In the absence of a resolution of the board of directors fixing the number of directors, the number shall be the number herein specified for the initial board of directors.

Section 4.02. Management. Except as otherwise provided in the articles of incorporation, the business, property and affairs of the Corporation shall be managed by the board of directors.

Section 4.03. Annual Meeting. Unless otherwise determined by the president or the board of directors, the board of directors shall meet each year immediately after the annual meeting of the shareholders, at the place where such meeting of the shareholders

has been held, for the purpose of election of officers and consideration of any other business that may be brought before the meeting. No notice shall be necessary for the holding of this annual meeting. If such meeting is not held as above provided, the election of officers may be held at any subsequent meeting of the board of directors specifically called in the manner provided in Section 4.04 of this Article.

Section 4.04. Other Meetings. Regular meetings of the board of directors may be held, without notice, at such time as may from time to time be fixed by resolution of the board of directors. Special meetings of the board of directors may be called at any time by the president, and shall be called on the written request of any member of the board of directors. Notice of the date, time and place of such special meeting shall be sent by the secretary to each director at his or her residence or usual place of business by letter, telegram, telex, telecopy or other document transmitted electronically at such time that, in regular course, such notice would reach such place not later than during the second day immediately preceding the day for such meeting; or may be delivered to a director personally at any time during such second preceding day. Such meetings may be held at any place within or without the state of Indiana, as may be specified in the respective notices, or waivers of notice, thereof.

Section 4.05. Waiver of Notice. A director may waive notice required hereunder or under law either before or after the date and time stated in the notice. Except as hereinafter provided, the

waiver must be in writing, signed by the director and filed with the minutes or corporate records. For purposes of this section, a waiver granted by telegram, telex, telecopy or other document transmitted electronically by a director shall be deemed "signed by the director." A director's attendance at or participation in a meeting waives any required notice unless the director at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to the action taken at the meeting.

Section 4.06. Participation in Meetings by Electronic Communications. Any or all directors may participate in a meeting of the board or a committee of the board by any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 4.07. Action Without a Meeting. Any action which may be taken at a board of directors' meeting may be taken without a meeting if evidenced by one or more written consents describing the action taken, signed by each director and included in the minutes or filed with the corporate records reflecting the action taken. For purposes of this section, a waiver granted by telegram, telex, telecopy or other document transmitted electronically by a director shall be deemed "signed by a director." Action taken by written consent is effective when the last director signs the consent

unless the consent specifies a different prior or subsequent effective date.

Section 4.08. Quorum and Voting Requirements. A quorum of the board of directors for the transaction of all business, except filling vacancies on the board of directors, shall consist of a majority of the fixed number of directors if the Corporation has a fixed board size, or a majority of the number of directors prescribed, or if no number is prescribed, the number in office immediately before the meeting begins if the Corporation has a variable-range size board. A vacancy on the board of directors may be filled by the affirmative vote of a majority of all the directors remaining in office if the remaining directors constitute fewer than a quorum of the board. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors. A director who is present at a meeting when corporate action is taken is deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting (or promptly upon the director's arrival) to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or; (iii) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the secretary of the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 4.09. Election, Term of Office and Qualification.

Directors shall be elected at each annual meeting of the shareholders by the shareholders entitled by the articles of incorporation to vote. Directors shall be elected for a term of one year and shall hold office until their respective successors are elected and qualified. Directors need not be shareholders of the Corporation. No decrease in the number of directors provided for by the bylaws at any time shall have the effect of shortening the term of any incumbent director.

Section 4.10. Removal. Any director may be removed, either with or without cause, as provided by law, at the annual meeting of the shareholders, if the annual meeting notice states that one of the purposes of the meeting is removal of the director, or at any special meeting of the shareholders, or at any meeting of the board of directors.

Section 4.11. Resignation. A director may resign by delivering written notice to the board of directors, its chairman, the president or secretary of the corporation. A resignation is effective when delivered unless the notice specifies a later effective date.

Section 4.12. Vacancies. Any vacancy occurring on the board of directors caused by removal, resignation, death or other incapacity, or increase in the number of directors, may be filled by the board of directors, or if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors

remaining in office. The new director shall serve until the expiration of the term for which the director's predecessor was elected. Shareholders shall be notified of any increase in the number of directors and of the name, address, and principal occupation of any director elected by the board of directors to fill any vacancy, whether caused by an increase or otherwise, in the next mailing sent to the shareholders following any such increase or election. If the vote of the remaining members of the board of directors shall result in a tie, such vacancy shall be filled by vote of the shareholders at a special meeting called for such purpose.

Section 4.13. Compensation of Directors. The board of directors is empowered and authorized to fix and determine the compensation of the directors. Until such time as the board of directors shall choose to act in this matter, members of the board of directors shall receive no compensation for acting in such capacity.

ARTICLE V

Executive Committee

Section 5.01. Designation of Executive Committee. The board of directors may, by resolution adopted by a majority of all the directors in office at the time, from time to time, designate one or more of its members to constitute an executive committee. The board of directors shall have the power at any time to increase or decrease the number of members of the executive committee, to fill

vacancies thereon, to change any member thereof, and to change the functions or terminate the existence thereof.

Section 5.02. Powers of the Executive Committee. During the intervals between meetings of the board of directors, and subject to such limitations as may be required by law or by resolution of the board of directors, an executive committee shall have and may exercise all of the authority of the board of directors, except that an executive committee shall not have authority to (i) authorize distributions, except a committee (or an executive officer of the Corporation designated by the board of directors) may authorize or approve reacquisition of shares or other distribution if done according to a formula or method or within a range, prescribed by the board of directors; (ii) approve or propose to shareholders action that is required by law to be approved by shareholders; (iii) fill vacancies on the board of directors or on any of its committees; (iv) amend the articles of incorporation; (v) adopt, amend or repeal bylaws; (vi) approve a plan of merger not requiring shareholder approval; and (vii) authorize or approve the issuance or sale or a contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except the board of directors may authorize a committee (or an executive officer of the Corporation designated by the board of directors) to take such action within limits prescribed by the board of directors.

Section 5.03. Meetings; Procedure; Quorum. Regular meetings of an executive committee may be held, without notice, at such time and place as may from time to time, be fixed by resolution of the executive committee. Special meetings of an executive committee may be called at any time by any member of the executive committee. Notice of such special meeting shall be sent to each member of the executive committee at the member's residence or usual place of business by letter, telegram, telex, telecopy or other document transmitted electronically at such time that, in regular course, such notice would reach such place not later than during the day immediately preceding the day for such meeting; or may be delivered to a member personally at any time during such immediately preceding day. Notice of any such meeting need not be given to a member of an executive committee who has waived such notice, either in writing or by telegram, telex, telecopy or other document transmitted electronically arriving either before or after such meeting, or who shall be present at the meeting. Any meeting of an executive committee shall be a legal meeting, without notice thereof having been given, if all the members of the executive committee who have not waived notice thereof in writing or by telegram, telex, telecopy, or other document transmitted electronically shall be present in person. A majority of the members of an executive committee, from time to time, shall be necessary to constitute a quorum for the transaction of any business, and the act of a majority of the members at a meeting at which a quorum is present shall be the act of the executive

committee. The members of an executive committee shall act only as a committee, and the individual members shall have no power as such. All minutes of meetings of an executive committee shall be submitted at the next succeeding meeting of the board of directors for approval; but failure to submit the same or to receive the approval thereof shall not invalidate any completed or incomplete action taken by the Corporation upon authorization by an executive committee prior to the time at which the same shall have been, or were, submitted as above provided.

Section 5.04. Other Committees. The board of directors by resolution adopted by majority vote of all the directors may appoint one or more other committees from among its members as the board of directors determines to be necessary, which committees shall have such powers and duties as prescribed by the board of directors from time to time. Sections 5.01 through 5.03 of these bylaws governing meetings, notice, and quorum and voting requirements of an executive committee, apply to any other committees created by the board of directors.

ARTICLE VI

Officers of the Corporation

Section 6.01. Election. At its annual meeting the board of directors shall elect a president, one or more vice-presidents (if the board of directors deems such officers necessary), a secretary, and a treasurer, and such assistants and other officers as it may decide upon, for a term of one year. Any two or more offices may be held by the same person. If the annual meeting of the board of

directors is not held at the time designated in these bylaws, such failure shall not cause any defect in the corporate existence of the Corporation, but the officers for the time being shall hold over until their successors are chosen and qualified, unless sooner removed as provided for by applicable law.

Section 6.02. Vacancies. Whenever any vacancies occur in any office by death, resignation, increase in the number of officers of the Corporation, or otherwise, such vacancy shall be filled by the board of directors, or by the officer who had originally appointed the predecessor officer, and the officer so elected shall hold office until his successor is chosen and qualified, unless sooner removed as provided for by applicable law.

Section 6.03. Removal. Any officer of the Corporation may be removed, either with or without cause, at any time by the board of directors, or if the officer to be removed was appointed by another officer, then the appointing officer may so remove the appointed officer.

Section 6.04. The President. The president shall be the chief executive officer of the Corporation. The president shall preside at all meetings of the shareholders and of the board of directors, and, subject to the approval of the board of directors, shall direct the policies and management of the Corporation. The president shall discharge all the duties inherent to a presiding officer and perform such other duties as from time to time may be assigned by the board of directors or as prescribed by law or these bylaws.

Section 6.05. The Vice-President. The vice-president shall perform all duties incumbent upon the president during the absence or disability of the president, and perform such other duties as these bylaws may require or the board of directors may prescribe; provided, that if the board of directors elects more than one vice-president, their respective right to act during the absence or disability of the president shall be in the order in which their respective names appear in the resolution, or resolutions, electing such vice-presidents.

Section 6.06. The Secretary. The secretary shall attend all meetings of the shareholders and of the board of directors, and shall keep, or cause to be kept a true and complete record of the proceedings of such meetings, and shall perform a like duty for all standing committees appointed by the board of directors, when required. The secretary shall attend to the giving and serving of all notices of the Corporation, shall authenticate the records of the Corporation, shall, unless the board of directors provides otherwise, maintain the records required under Section 7.01 of these bylaws and shall perform such other duties as these bylaws may require or the board of directors may prescribe.

Section 6.07. The Treasurer. The treasurer shall maintain a correct and complete record of accounts showing accurately at all times the financial condition of the Corporation. The treasurer shall be the legal custodian of all monies, notes, securities and other valuables which may from time to time come into the possession of the Corporation. The treasurer shall immediately

deposit all funds of the Corporation in a bank or other depository to be designated by the board of directors and shall keep such bank account in the name of the Corporation. In the event no vice-presidents have been elected by the board of directors, the treasurer shall perform all duties incumbent upon the president during the absence or disability of the president.

Section 6.08. Assistant Officers. Assistants to any duly elected or appointed officer of the corporation may be appointed by the board of directors, the president of the Corporation or by the officer for whom the assistant officer is appointed to serve. Such assistant officers shall have such powers and duties as the officers whom they are elected to assist shall specify and delegate to them and such other powers and duties as these bylaws or the board of directors or the appointing officer may prescribe. An assistant secretary may, in the event of the absence or disability of the secretary, attest to the execution by the Corporation of all documents.

Section 6.09. Delegation of Authority. In case of the absence of any officer of the Corporation, or for any other reason that the board of directors may deem sufficient, the board of directors may delegate the powers or duties of such officer to any other officer or to any director, for the time being, provided a majority of the entire board of directors concurs therein.

ARTICLE VII

Records and Execution of Documents

Section 7.01. Required Records.

(a) The Corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the Corporation.

(b) The Corporation shall maintain appropriate accounting records.

(c) The Corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each.

(d) The Corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

(e) The Corporation shall keep a copy of the following records at its principal office:

- (1) Its articles or restated articles of incorporation and all amendments to them currently in effect.
- (2) Its bylaws or restated bylaws and all amendments to them currently in effect.
- (3) Resolutions adopted by its board of directors with respect to one (1) or more classes or series of shares and fixing their relative rights,

preferences, and limitations, if shares issued pursuant to those resolutions are outstanding.

- (4) The minutes of all shareholders' meetings, and records of all action taken by shareholders without a meeting, for the past three (3) years.
- (5) All written communications to shareholders generally within the past three (3) years, including the financial statements furnished for the past three (3) years under Ind. Code §23-1-53-1.
- (6) A list of the names and business addresses of its current directors and officers.
- (7) Its most recent annual report delivered to the secretary of state under Ind. Code §23-1-53-3.

(f) A shareholder shall be entitled to inspect and copy any of the records described in subsection (e) in accordance with Ind. Code §23-1-52-2(a).

Section 7.02. Execution of Contracts and Other Documents. All contracts and agreements entered into by the Corporation and all checks, drafts and bills of exchange, and orders for the payment of money shall, unless otherwise directed by the board of directors or required by law, be signed by the president.

ARTICLE VIII

Amendments

The power to make, alter, amend or repeal these bylaws is vested in the board of directors of the Corporation.

The foregoing Code of Bylaws of the Corporation were duly adopted by the board of directors of the Corporation on the 15th day of June, 1995.

Faith M. Salis
Faith M. Salis, Secretary of
the Corporation

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APPLICATION FORM

Drinking Water State Revolving Fund Loan Program (DWSRF)

Return completed form to:
DWSRF Administrator
100 North Senate Avenue, Rm. 1275
Indianapolis, IN 46204

I. APPLICANT and SYSTEM INFORMATION:

1. Applicant Name (community or water system name): Sugar Creek Utility Company
2. Public Water Supply ID #: 5230006
3. Water Source:
☒ Ground Water
☐ Surface Water
☐ Ground Water under the influence of Surface Water
☐ Purchased Ground Water
☐ Purchased Surface Water
4. Type of Applicant (check one):
☐ Municipality (City, Town, County, Township)
☐ Regional Water District
☐ Non-profit Water Corporation
☒ For-profit Utility
☐ School
☐ Other _____
5. Location of the Proposed Project: USGS Quadrangle Map Name(s), Township(s), Range(s), Section(s):
Greenfield Quad, Center Township, 23-16-6
City / Town: _____ County(ies): Hancock Civil Township(s): Center
6. State Representative District: 53 State Senate District: 28 Congressional District: 5
7. Population Served (census data available at <http://factfinder.census.gov/>): 210
8. Median Household Income for Service Area (census data available at <http://factfinder.census.gov/>): \$46,802.00
9. Number of Connections: (current) 85 (post project) 85
10. Current User Rate/4,000 gal.: \$17.25 (flat) Estimated Post-Project Rate/4,000 gal.: _____
11. Current User Rate/5,000 gal.: \$17.25 (flat) Estimated Post-Project Rate/5,000 gal.: _____

II. CAPACITY DEVELOPMENT:

Pursuant to the Safe Drinking Water Act, a DWSRF Loan Program Participant must certify that the Participant possesses the technical, managerial, and financial capacity to operate the water system or that the DWSRF Loan Program assistance will ensure compliance with the Safe Drinking Water Act (40 CFR 35.3520(d)(2)).

1. Does your system currently possess technical, managerial and financial capacity? Yes
2. If no, will technical, managerial and financial capacity be achieved after the implementation of the water system's DWSRF project? (Yes/No) _____

To assess the technical, managerial, and financial capacity of the water system, the Participant is encouraged to complete the "Indiana Department of the Environmental Management (IDEM) Capacity Development Self-Assessment", available at www.srf.in.gov.

III. CONTACT INFORMATION:

Authorized Signatory (an official of the water system that is authorized to contractually obligate the applicant with respect to the proposed project):

Name: John Salis Jr.

Title: Owner

Telephone # (include area code): 317-326-3181

Address: 1613 W. 300 N.

City, State, Zip Code Greenfield, IN. 46140

E-mail: jsalisjr@aol.com

Applicant Staff Contact (person to be contacted directly for information if different from authorized signatory):

Name: _____

Title: _____

Telephone # (include area code): _____

Address: _____

City, State, Zip Code _____

E-mail: _____

Certified Operator:

Name: John Salis Jr.

Telephone # (include area code): 317-326-3181

E-mail: jsalisjr@aol.com

Grant Administrator (if applicable)

Contact: _____

Firm: _____

Address: _____

City, State, Zip Code _____

Telephone # (include area code): _____

Fax: _____

E-mail Address: _____

Consulting Engineer

Contact: James W. Frazell, P.E.

Firm: Triad Associates, Inc.

Address: 5835 Lawton Loop East Drive

City, State, Zip Code Indianapolis, IN. 46216

Telephone # (include area code): 317-377-5230

Fax: 317-377-5230

E-mail Address: jfrazell@triadassoe.net

Bond Counsel

Contact: _____

Firm: _____

Address: _____

City, State, Zip Code _____

Telephone # (include area code): _____

Fax: _____

E-mail: _____

Financial Advisor

Contact: Patrick Callahan

Firm: _____

Address: 318 Park Street

City, State, Zip Code Westfield, Indiana 46074

Telephone # (include area code): 317-867-2945

Fax: 317-867-2950

E-mail Address: pc-cpa@msn.com

Local Counsel

Contact: Christopher Janak

Firm: Bose McKinney & Evans LLP

Address: 111 Monument Circle, Suite 2700

City, State, Zip Code Indianapolis, IN. 46204

Telephone # (include area code): 317-684-5000

Fax: 317-684-5173

E-mail: cjanak@boselaw.com

IV. PROJECT INFORMATION:

1. **Project Need** - Select all needs that apply and include a brief description. Describe the facility needs in terms of age, condition, date of most recent rehabilitation / replacement.
 - a. Public Health / Safe Drinking Water Act Compliance / Violations:
 - b. Facilities Undersized:
 - c. Facilities Have Reached End of Useful Life:
 - d. Facilities Have Operational Problems: Existing water main runs directly underneath the homes through the middle of all of the properties. There are no external individual shut-off valves for each of the homes from the water main accessible to the utility. Breaks and leaks have been occurring requiring boil water orders.
 - e. Other:
2. **Proposed Project** - Describe the scope of the proposed project and how it will address the applicant's needs as enumerated above. Please provide a map showing proposed work areas, if possible. Note: Projects that are solely for fire suppression or economic development are not eligible for funding under the Safe Drinking Water Act. The owner intends to install a new six-inch water main in or along Fountain Lake Drive with valves and hydrants as well as meter pits and shut-off valves for each residence. Presently, the existing water main runs through the middle of the properties and underneath all of the homes. Maintenance on the main is virtually impossible.

Will any part of the proposed project be constructed on previously undisturbed land¹? (Yes/No) NO

If no, would it be accurate to describe the entire project as rehabilitation of existing system components? (Yes/No) YES
If no, why not?

Does the utility have a back-up power source? (Yes/No) Yes

Will the proposed project incorporate Sustainable Infrastructure / Green Initiatives (SI/GI)? (Yes/No) Will Advise
For more information, refer to the SRF SI/GI Resource Document and Fact Sheet at www.srf.in.gov.

3. Project Cost Estimate:

Source (intake or wells)	\$ _____
Treatment	\$ _____
Storage	\$ _____
Distribution/Transmission	\$ 200,000.00
Other: _____	\$ _____
TOTAL CONSTRUCTION:	\$ 200,000.00
Non-construction Costs	\$ 70,000.00

¹ The Division of Historic Preservation and Archaeology's definition of "undisturbed land" is "any land, including agricultural land (row-crop farmland, orchards, pasture, fallow farmland, or land that was previously farmland but is now grass or other vegetation), that has not been substantially disturbed by recent soil disturbing activities."

TOTAL ESTIMATED PROJECT COST: \$ 270,000.00

4. Other Funding Sources:

	Application Round (date)	Amount Requested (dollars)	Amount Awarded (if applicable)
Office of Community and Rural Affairs Community Focus Fund			
U.S. Dept. of Commerce Economic Development Administration			
U.S. Dept. of Agriculture Rural Development			
Local Funds			
Other			

5. Will this project proceed if other funding sources are not in place? (Yes/No) YES

6. Anticipated SRF Loan Amount (after other funding): \$270,000.00

7. Anticipated Dates:

Preliminary Engineering Report (PER) submittal: Will Advise

Contract Award: _____

Construction Start: _____

Construction Complete: _____

Y. SIGNATURE:

I certify that I am legally authorized by the legislative body to sign this application. To the best of my knowledge and belief, the foregoing information is true and correct.

Signature of Authorized Signatory (Community Official)

Printed or Typed Name

Title of Authorized Signatory

Date

SUGAR CREEK UTILITIES INC.

Plant Additions
1998 - 2008

OUCC Data Request - Q-3

	<u>Date</u>	<u>Water Division</u>	<u>Sewer Division</u>	<u>Total</u>
Plant @ 12/31/98		\$ 28,042	\$ 87,110	\$ 115,152
Loadcasser	5-Mar-99	746	-	746
2" meters (3)	15-Oct-99	1,994	-	1,994
Sewer plant improvements	15-Aug-99		34,126	34,126
Sewer line improvements	1-Dec-00		22,000	22,000
Water line additions	15-Jun-01	31,672		31,672
Sewer/Water line additions (700 Section)	15-Jun-02	33,845	33,845	67,690
Hydraserve (pump)	25-Jul-07		3,719	3,719
Hydraserve (pump)	4-Sep-07		3,708	3,708
Plant @ 12/31/08 per books		<u>\$ 96,299</u>	<u>\$ 184,508</u>	<u>\$ 280,807</u>

Daniels, Sandy

From: Levay, Daniel
Sent: Friday, February 20, 2009 4:48 PM
To: Daniels, Sandy; Stull, Margaret; Kaufman, Edward; Pettijohn, Roger; Bell, Scott; Patrick, Charles (Chuck)
Subject: FW: Sugar Creek Data Responses - C/N 43579
Attachments: Articles of Incorporation.PDF; Bylaws.PDF; Sugar Creek SRF App.doc; Plant Additions.xls; 43579 SUGAR CREEK RESPONSES OUCC SETS 1,2,3.PDF

From: Shoultz, Nikki [mailto:NShoultz@boselaw.com]
Sent: Friday, February 20, 2009 4:09 PM
To: Levay, Daniel
Subject: Sugar Creek Data Responses - C/N 43579

Attached are Sugar Creek's Data Responses to OUCC Set # 1, 2, and 3 in Cause No. 43579, along with the attachments referenced therein.

Nikki Gray Shoultz
Bose McKinney & Evans LLP
E-mail: NShoultz@boselaw.com
Direct phone: 317-684-5242
www.boselaw.com

From: Sharescan
Sent: Friday, February 20, 2009 4:05 PM
To: Shoultz, Nikki
Subject: Scanned Document from Bose McKinney & Evans LLP

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2/23/2009

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
SUGAR CREEK UTILITY COMPANY, INC.) CAUSE NO. 43579
FOR APPROVAL OF A CHANGE IN)
RATES AND CHARGES.) Served: 3/13/09

**SUGAR CREEK UTILITY COMPANY, INC.'S
RESPONSES TO THE OUCC'S FOURTH SET OF DATA REQUESTS**

Sugar Creek Utility Company, Inc. ("Sugar Creek") submits its Responses to the Indiana Office of Utility Consumer Counselor's ("OUCC") Fourth Set of Data Requests as follows:

GENERAL OBJECTIONS:

1. Sugar Creek objects to the OUCC's Data Requests insofar as the OUCC attempts to impose upon Sugar Creek obligations different from, or in excess of, those imposed by the Indiana Rules of Trial Procedure, the Indiana Administrative Code or by the administrative law judge.
2. Sugar Creek objects to the Requests to the extent they seek disclosure of private and confidential business plans, analysis, strategies, data, customer records and other sensitive information protected from unwarranted disclosure or discovery by applicable law. Sugar Creek will not disclose such information until such time as an appropriate confidentiality order has been entered by the Commission and executed by the parties.
3. Sugar Creek objects to the Requests to the extent they seek information protected by the attorney-client privilege, the work-product doctrine, or other applicable

privileges and protections. Sugar Creek hereby claims all applicable privileges and protections to the fullest extent implicated by the Requests and excludes privileged information and materials from its responses. Any disclosure of such information or materials as a result of Sugar Creek's responses or otherwise is inadvertent and is not intended to waive any applicable privileges or protections.

4. Sugar Creek reserves all objections as to relevance and materiality. Sugar Creek submits these responses and is producing materials in response to the Requests without conceding the relevancy or materiality of the information or materials sought or produced, or their subject matter, and without prejudice to Sugar Creek's right to object to further discovery, or to object to the admissibility of proof on the subject matter of any response, or to the admissibility of any document or category of documents, at a future time. Any disclosure of information not responsive to the Requests is inadvertent and is not intended to waive Sugar Creek's right not to produce similar or related information or documents.

5. Sugar Creek objects to the Requests to the extent they call for identification of, or information contained in or derived from: (a) news articles, trade press reports, published industry services or reference materials, or similar publicly-available sources that are available for purchase or otherwise to the OUCC; (b) materials that are part of the public record in any legislative, judicial or administrative proceeding and reasonably available to the OUCC; (c) materials generated by the OUCC and thus presumably in the OUCC's own possession, custody or control; (d) materials otherwise available to the OUCC where response to the Request would impose unnecessary or unjust burdens or expense on Sugar Creek under the circumstances; and/or (e) previously

submitted or available to the OUCC in prefiled testimony, pre-hearing data submissions and other documents already filed with the Commission in the pending proceeding.

Subject to and without waiving the foregoing General Objections, each of which are incorporated by reference into the responses below as if fully restated therein, Sugar Creek provides the following responses to the OUCC's Requests. Sugar Creek's responses are based on the best information presently available; Sugar Creek reserves the right to amend, supplement, correct or clarify answers if other or additional information is obtained, and to interpose additional objections if deemed necessary.

REQUESTS

Q-50: In response to the OUCC's Q-22, Sugar Creek states that the value of the Riley Village main and service lines were not included on the balance sheet and rate base.

- a. Please state who provided the answer to Q-22.
- b. What is the basis of the opinion that the value of the Riley Village main and service lines were not included on the balance sheet and rate base?
- c. How did the answerer determine that the value of the Riley Village main and service lines were not included on the balance sheet?
- d. How did the answerer determine that the value of the Riley Village main and service lines were not included in rate base?

Response: Sugar Creek's accounting witness, Patrick Callahan, prepared the Response to OUCC Data Request 22. Mr. Callahan based his responses on conversations with the accountant who prepared Sugar Creek's books and records at the time the main and service lines were acquired by Sugar Creek. The statement that the value of the main and service lines in Riley Village were excluded from rate base is based on Mr. Callahan's conversations with Sugar Creek's previous rate consultant, whose recollection was that those items were not included in rate base. Although no documents are available at this time, the previous rate consultant's firm is retrieving its off-site archived files and if it is located, Mr. Callahan will review the Sugar Creek file and attempt to determine whether the main and service lines for Riley Village were or were not included in Sugar Creek's rate base. Sugar Creek will supplement this Data Response if pertinent additional responsive information is discovered.

Q-51: Please provide any documents in Sugar Creek's possession or under its control that indicate that the value of the Riley Village mains and service lines were not included on the balance sheet.

Response: Sugar Creek does not possess or have under its control the documents requested.

Q-52: Does Sugar Creek list the value of the Riley Village main as a contribution in aid of construction? If so, what is the value and how is it booked?

Response: The value of the Riley Village main is not recorded on the books as a contribution in aid of construction.

Q-53: Does Sugar Creek agree that Mr. Frazell was incorrect in indicating that that Riley Village has 100 residential structures (homes)?

Response: Please see Sugar Creek's Response to OUCC Data Request 36.

Q-54: Please admit that no studies or analyses were prepared to determine whether a premium was appropriate for the purchase of Sugar Creek Utility.

Objection: The information sought by this data request is irrelevant and is unlikely to lead to admissible evidence. The existence of any study or analysis supporting the determination of a premium is not at issue and the amount of the premium has already been decided by stipulation. Paragraph 1 of the Modification to Stipulation and Settlement Agreement dated June 27, 2001 in Cause Nos. 38891 and 41913 between the OUCC and Sugar Creek Utilities states: "The parties recognize that as of June 15, 1995, Sugar Creek is entitled to record an accounting acquisition adjustment of \$64,752. The parties agree, however, to defer consideration of the rate making treatment for the acquisition adjustment until Sugar Creek's next rate case." Thus, the information sought in Data Request 54 is irrelevant.

Response: See objection.

Q-55: What is Mr. Callahan's understanding of when it is appropriate to record an accounting acquisition adjustment?

Response: Mr. Callahan's understands that it is appropriate to record an acquisition adjustment when the purchase price exceeds the original cost.

Q-56: Does Mr. Callahan believe that an accounting acquisition adjustment may be recorded without commission authority?

Response: Mr. Callahan believes that an accounting acquisition adjustment may be recorded without Commission prior authority. However, the amortization of the acquisition adjustment, whether recorded "above-the-line" or "below-the-line" shall

be approved by the Commission. In his prefiled testimony, Mr. Callahan requests the Commission's approval to amortize the acquisition adjustment "above-the-line."

Q-57: Has Mr. Callahan ever recorded or approved of the recording of an accounting acquisition adjustment without prior commission authority?

Response: Mr. Callahan does not have any recollection of recording any acquisition adjustments. Most of the private utilities for which Mr. Callahan has provided consulting purchase the capital stock and not the assets. Mr. Callahan typically consults with municipally owned and not-for-profit utilities where a sale of assets normally does not take place.

Q-58: Does Mr. Callahan believe that there is a difference between recording an accounting acquisition adjustment and acquiring favorable ratemaking treatment on an acquisition adjustment?

Response: Mr. Callahan understands the difference between recording an accounting acquisition adjustment and acquiring favorable ratemaking treatment on an acquisition adjustment. The Uniform System of Accounts (1996) for water utilities states at page 59, Paragraph A:

This account shall include the difference between (a) the cost to the accounting utility of utility plant acquired..., and (b) the original cost...

It does not say that the Commission must approve the recording of this transaction. The System of Accounts states at page 60, Paragraph C that that the amount in this account shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

Again, his prefiled testimony, Mr. Callahan asks the Commission's approval to amortize the acquisition adjustment above the line. As of this date, the Utility has not amortized the acquisition adjustment on its books. The Utility is waiting for the Commission's direction before amortization occurs.

Q-59: In its recent filing, Sugar Creek indicated it does not have sufficient operating revenue to pay for ongoing expenses. What expenses is Sugar Creek currently not paying for? Please provide invoices of the unpaid bills.

Response: Sugar Creek's recent filing did not state that Sugar Creek has failed to pay its ongoing expenses. In the many instances when Sugar Creek has insufficient operating revenue to pay for expenses, Sugar Creek's sole shareholder, Mr. Salis, has paid Sugar Creek's expenses out of his personal accounts, including his retirement fund.

Q-60: What aspect of its operations is Sugar Creek not performing?

Response: Sugar Creek did not state that it is not performing any aspect of its operations.

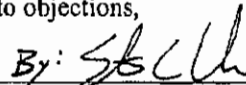
Q-61: Please identify the SRF personnel with which the utility has been communicating.

Response: On March 6, 2009, Sugar Creek representatives and the following individuals from the Indiana SRF had a Project Planning conference call: Sarah Hudson, Amy Henninger, Rich Ziemba, and Emma Kottowski.

Q-62: Please state how the utility proposes to acquire access to the property on which the new main will be located?

Response: The project as proposed in Mr. Frazell's testimony contemplates placement of the new main in the street.

As to objections,

By: 

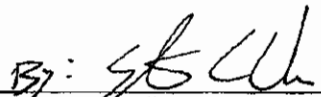
Att # 25844-49

Nikki G. Shoultz, #16509-41
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served electronically upon the following
this 13th day of March, 2009:

Daniel LeVay, Esq.
Indiana Office of Utility Consumer Counselor
National City Center, Suite 1500 South
115 West Washington Street
Indianapolis, IN 46204
dlevay@oucc.in.gov

By: 

Att # 25844-49

Nikki G. Shoultz, #16509-41

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000
1336254_1

Daniels, Sandy

From: Stull, Margaret
Sent: Tuesday, March 17, 2009 2:57 PM
To: Daniels, Sandy
Subject: FW: Sugar Creek Utility Co., Cause No. 43579
Attachments: Responses to 4th DataReq.PDF

From: Levay, Daniel
Sent: Monday, March 16, 2009 11:25 AM
To: Patrick, Charles (Chuck); Bell, Scott; Stull, Margaret; Pettijohn, Roger
Subject: FW: Sugar Creek Utility Co., Cause No. 43579

From: Whitton, Kathy E. [mailto:kwhitton@boselaw.com]
Sent: Friday, March 13, 2009 4:24 PM
To: Levay, Daniel
Subject: Sugar Creek Utility Co., Cause No. 43579

Attached please find Sugar Creek Utility Company, Inc.'s Responses to the OUCC's Fourth Set of Data Requests in the above matter.

**BOSE
McKINNEY
& EVANS LLP**
ATTORNEYS AT LAW

Kathy E. Whitton
Administrative Assistant
E-mail: kwhitton@boselaw.com
Direct phone: 317-684-5165
Direct fax: 317-223-0165
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111 Monument Circle | Suite 2700 | Indianapolis, Indiana 46204
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3/17/2009

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
SUGAR CREEK UTILITY COMPANY, INC.) CAUSE NO. 43579
FOR APPROVAL OF A CHANGE IN)
RATES AND CHARGES.) Served: 3/17/09

**SUGAR CREEK UTILITY COMPANY, INC.'S
RESPONSES TO THE OUCC'S FIFTH SET OF DATA REQUESTS**

Sugar Creek Utility Company, Inc. ("Sugar Creek") submits its Responses to the Indiana Office of Utility Consumer Counselor's ("OUCC") Fifth Set of Data Requests as follows:

GENERAL OBJECTIONS:

1. Sugar Creek objects to the OUCC's Data Requests insofar as the OUCC attempts to impose upon Sugar Creek obligations different from, or in excess of, those imposed by the Indiana Rules of Trial Procedure, the Indiana Administrative Code or by the administrative law judge.
2. Sugar Creek objects to the Requests to the extent they seek disclosure of private and confidential business plans, analysis, strategies, data, customer records and other sensitive information protected from unwarranted disclosure or discovery by applicable law. Sugar Creek will not disclose such information until such time as an appropriate confidentiality order has been entered by the Commission and executed by the parties.
3. Sugar Creek objects to the Requests to the extent they seek information protected by the attorney-client privilege, the work-product doctrine, or other applicable

privileges and protections. Sugar Creek hereby claims all applicable privileges and protections to the fullest extent implicated by the Requests and excludes privileged information and materials from its responses. Any disclosure of such information or materials as a result of Sugar Creek's responses or otherwise is inadvertent and is not intended to waive any applicable privileges or protections.

4. Sugar Creek reserves all objections as to relevance and materiality. Sugar Creek submits these responses and is producing materials in response to the Requests without conceding the relevancy or materiality of the information or materials sought or produced, or their subject matter, and without prejudice to Sugar Creek's right to object to further discovery, or to object to the admissibility of proof on the subject matter of any response, or to the admissibility of any document or category of documents, at a future time. Any disclosure of information not responsive to the Requests is inadvertent and is not intended to waive Sugar Creek's right not to produce similar or related information or documents.

5. Sugar Creek objects to the Requests to the extent they call for identification of, or information contained in or derived from: (a) news articles, trade press reports, published industry services or reference materials, or similar publicly-available sources that are available for purchase or otherwise to the OUCC; (b) materials that are part of the public record in any legislative, judicial or administrative proceeding and reasonably available to the OUCC; (c) materials generated by the OUCC and thus presumably in the OUCC's own possession, custody or control; (d) materials otherwise available to the OUCC where response to the Request would impose unnecessary or unjust burdens or expense on Sugar Creek under the circumstances; and/or (e) previously

submitted or available to the OUCC in prefiled testimony, pre-hearing data submissions and other documents already filed with the Commission in the pending proceeding.

Subject to and without waiving the foregoing General Objections, each of which are incorporated by reference into the responses below as if fully restated therein, Sugar Creek provides the following responses to the OUCC's Requests. Sugar Creek's responses are based on the best information presently available; Sugar Creek reserves the right to amend, supplement, correct or clarify answers if other or additional information is obtained, and to interpose additional objections if deemed necessary.

REQUESTS

Q-63: Please provide copies of any and all invoices to support the asset additions per the schedule provided in response to data request Q-3.

Response: Copies of the invoices for plant additions in 2008 were included in workpapers filed on January 30, 2009. The copies of 2007 invoices (Wastewater) are attached. All other additions were prior to June 30, 2002 and copies of these invoices (additions) could not be located.

Q-64: Please confirm that the cost of meters has not been included in the cost of the proposed water project. Please explain why meters were not included in the cost.

Response: The cost of meters was not included in the cost of the proposed water project because it is customary for customers, rather than the public utility, to pay for the cost of meters.

Q-65: Please answer the following questions regarding the asset additions in the schedule provided in response to OUCC DR Q-3:

- a. What is a "loadcaster" (\$746, 3/5/99) and what is it used for?
- b. Where on Sugar Creek's water system are each of the three 2" meters placed that were installed in 1999 (\$1,994)? Are the three 2" meters in use? Please provide all meter readings from the three (3) 2" meters since their installation.
- c. Regarding the \$34,126 of "sewer plant improvements" made on 8/15/1999, state the exact improvement and the cost for each.

- d. Regarding the \$22,000 of "sewer line improvements" made in December 2000, state the location of the improvements on Sugar Creek's sewer system, the nature of the improvements, the size of the lines installed, and the cost of each component of the improvements installed.
- e. Do the "sewer line improvements" of December 2000 represent new sewer line installations or replacement sewer lines?
- f. If the December 2000 "sewer line improvements" are replacement lines, please provide the amount, if any, of the sewer lines retired. If no plant retirements were recorded, please explain why not.

Objection: The information requested in Question 65 is irrelevant, as it relates to expenses and projects undertaken by the utility between nine (9) and (10) years ago, and as such, is beyond the scope of this proceeding.

Response: Subject to and without waiver of the foregoing objection, Sugar Creek states:

- a. A loadcaster is a device that can be used to help soften the spike in power when well pumps come on.
- b. The tax return suggests there are 3 meters. The owner says there are only 2 meters.
- c. As stated in Q-63, it is difficult to state the exact cost for the improvement without the actual invoice.
- d. The location is in Section 800. The size of the lines is 6". The exact cost of each component is difficult without the invoice.
- e. New.
- f. Not Applicable.

Q-66: For each of the following additions, state the location, the size of the line, and the cost of each component of the addition:

- a. the \$31,672 of "water line additions" made in June 2001
- b. the \$33,845 of "water line additions" made in June 2002
- c. the \$33,845 of "sewer line additions" made in June 2002

Objection: The information requested in Question 66 is irrelevant, as it relates to expenses and projects undertaken by the utility between seven (7) and (8) years ago, and as such, is beyond the scope of this proceeding.

Response: Subject to and without waiver of the foregoing objection, Sugar Creek states:

- a. **Section 800. New 2" lines. The cost of each component could not be determined without the invoice. Information for total cost is included on tax return.**
- b. **Section 700. New 2" lines. The cost of each component could not be determined without the invoice. Information for the total cost is included on tax return.**
- c. **Section 700. New 6" lines. The cost of each component could not be determined without the invoice. Information for the total cost is included on tax return.**

Q-67: Regarding the "Hydraserve" sewer pumps installed in July and September of 2007 (\$3,719 and \$3,708), state the size of each pump, the location of each pump in Sugar Creek's sewer system, and whether the pumps were replacements of existing pumps or additional, new pumps.

Response: The size of each pump is 3 inch, 3 horsepower. The pumps are located at the lift station; and they were replacements of existing pumps.

Q-68: If the pumps installed in June and September of 2007 were replacements, please provide the amount of utility plant that was replaced/retired. If no retirements were recorded, please explain why not.

Response: It does not appear that the old costs for the pumps were retired. However, if the old pumps were retired, the associated "accumulated provision for depreciation" would also be removed. It was not retired because that specific pump could not be identified in the purchased price of the utility.

Q-69: If the pumps installed in June and September of 2007 were new pumps, please explain why it was necessary to add pumps to the existing system and what purpose they serve.

Response: Not applicable; see response to Question 68.

Q-70: Please provide the original well logs for each well owned and operated by Sugar Creek.

Response: No such information exists, as Sugar Creek does not keep well logs.

Q-71: What are the capacities for each well owned and operated by Sugar Creek?

Response: The capacity for each well is 83 gallons per minute.

Q-72: Please provide all well maintenance records for the period January 2003 through December 2008 including, but not limited to, well cleaning and pump maintenance.

Response: There is no well cleaning and no pump maintenance. Thus, no records exist.

Q-73: Per the Commission's order in Cause No. 41881 approving the settlement agreement, 31.5 edus were attributed to the Heartland Resort (see Exhibits A & B incorporated into the settlement agreement). Why has Petitioner only allocated 29.7 edus to the Heartland Resort (see tariff filed per response to data request Q-1).

Response: The calculation used to arrive at 29.7 EDUs as reflected in Sugar Creek's tariff was as follows: Heartland monthly bill: $\$2,051.42 \div \$69 \text{ per EDU} = 29.7 \text{ EDUs}$. On review of Sugar Creek's records to respond to Question 73, Sugar Creek discovered that it did not increase the monthly per EDU rate it charged Heartland Resort to \$69 starting on July 1, 2003 as reflected in the settlement agreement. When the prior monthly rate of \$65 per EDU is used in the calculation, the result shows that Sugar Creek billed for 31.5 EDU as required by the Commission's Order: Heartland's monthly bill: $\$2,051.42 \div \65 per EDU (the monthly per EDU rate approved by the Commission in the 2001 settlement for the period July 1, 2001 through June 30, 2003) = 31.5 EDUs. As a result of this clerical error, as of March 1, 2009, Sugar Creek has undercharged Heartland at a rate of \$4/month per EDU for approximately 68 months, totaling \$8,568. ($\$4 \times 31.5 \text{ EDUs} = \$126 \times 68 \text{ months} = \$8,568$). Heartland Resort will reimburse Sugar Creek for the \$8,528 billing error and Sugar Creek will revise its tariff to reflect that the correct EDU allocation for Heartland Resort is 31.5.

Q-74: Please provide the monthly DMR (discharge monitoring report) as provided to IDEM for the years 2007 and 2008.

Response: Sugar Creek believes that the OUCC's staff reviewed and kept copies of these documents during its on-site audit in February, 2009. If the OUCC determines that it requires additional information relative to Sugar Creek's 2007-2008 monthly DMRs, Sugar Creek will supply any additional available information.

Q-75: Please provide the monthly MRO (monthly report of operations) as provided to IDEM for the years 2007 and 2008.

Response: Sugar Creek believes that the OUCC's staff reviewed and kept copies of these documents during its on-site audit in February, 2009. If the OUCC determines that it requires additional information relative to Sugar Creek's 2007-2008 monthly MROs, Sugar Creek will supply any additional available information.

Q-76: Please provide a copy of the agreement between Sugar Creek and Astbury Environmental Engineering.

Response: See attached.

Q-77: How many dumps were made to Heartland Resort's dump station during calendar year 2007?

Response: Approximately 44.

Q-78: Please provide Sugar Creek Utility Company financial statements for each month of the year 2007. If monthly financial statements are not available, please provide a copy of the calendar year 2007 detailed general ledger.

Response: See attached.

Q-79: Will Petitioner be able to obtain the documentation requested in data request Q-18(b)? If yes, please state when this data will be made available to the OUCC.

Response: Documents responsive to Data Request 18(b) are not available at this time. However, Sugar Creek's previous rate consultant's firm is retrieving its off-site archived files for Sugar Creek and if the file and information requested in Data Request 18(b) are found, Sugar Creek will forward the information to the OUCC as soon as it is located.

Q-80: Has Petitioner made any calculation of the fair value of Sugar Creek's utility plant at the end of its test year or any other period since the 1995 purchase by Mr. Salis? If yes, please provide the detailed calculation(s) and any documentation relied upon.

Response: No.

Q-81: Since the 1995 purchase of Sugar Creek, additional homes have been added to Riley Village and connected to Sugar Creek's water and sewer lines.

- a. Did each new customer bear 100% of the cost of connecting to Sugar Creek's water and sewer system?
- b. If not, how were Sugar Creek's costs to connect these new customers recorded on Sugar Creek's books and records?
- c. Please provide the amount, if any, that Sugar Creek has included in rate base related to the cost of connecting these new customers and which line of pages W-3 and S-3 of the IURC annual report they have been included in.
- d. Did these new customers connect to the existing Sugar Creek water and sewer system or was it necessary for Sugar Creek to extend its water and/or sewer system to serve these new customers?

Response:

a. Generally speaking, the builder performed the work, so there was no cost to Sugar Creek. On one or two occasions, Sugar Creek performed the work and the customer was not charged for the work.

b. In instances where Sugar Creek performed the work, Sugar Creek's costs for parts and labor were recorded on Sugar Creek's books and records.

c. None.

d. Any new connections since 1995 have been to existing Sugar Creek facilities.

Q-82: Are the values of any of the mains and laterals servicing Heartland Resort reflected on the books of Sugar Creek?

Response: Yes.

Q-83: What is the value reflected on Sugar Creek's balance sheet at 12/31/08 of any water mains and services serving Heartland Resort?

Response: Per the IURC annual report, the total water main costs are \$31,672 and \$33,845 for services. It appears these costs were for Heartland Resort.

Q-84: What is the value reflected on Sugar Creek's balance sheet at 12/31/08 of any sewer mains and services serving Heartland Resort?

Response: It could not be determined what portion of the \$75,000 collection system is allocated to Heartland Resort. However, after 1999, \$22,000 was spent for new sewer lines in Heartland and services to customers of \$33,845.

Q-85: Please provide the analysis given to the SRF demonstrating that Sugar Creek could meet SRF's required debt coverage ratios?

Response: No analysis has been given to SRF at this time. Sugar Creek's representatives have supplied the user rate per Ms. Kottowski's request via an email. Sugar Creek's representatives also informed SRF representatives during a telephone conference that the customers in Riley Village are charged a flat rate.

Q-86: Does the analysis provided in response to Q-84 assume that Petitioner will be entitled to earn a return on its proposed water project prior to placing the project in-service?

Response: When the analysis is prepared, the coverage calculation would include the return on new plant provided by the proposed SRF funding. Sugar Creek anticipates asking the Commission for a true-up procedure and requesting that the rates be increased once the engineers certify the new plant is substantially complete and providing services to the customers.

Q-87: Per Petitioner's response to data request Q-39, Mr. Salis purchased Heartland Resort and Sugar Creek Utilities in one single transaction -

- a. What was the total purchase price paid for both Heartland Resort and Sugar Creek Utilities?
- b. Please explain how the total purchase price was allocated between Heartland Resort and Sugar Creek.
- c. Please provide the detailed calculation of the allocation of the purchase price, including all supporting documentation.

Objection: The information sought by this data request is irrelevant and is unlikely to lead to admissible evidence. To the extent that the information sought in Data Request 87 is sought in connection with the OUCC's apparent position that the amount of the acquisition adjustment should be re-examined in this proceeding, Sugar Creek maintains its ongoing objection that the premium is not at issue and has already been decided by stipulation. Paragraph 1 of the Modification to Stipulation and Settlement Agreement dated June 27, 2001 in Cause Nos. 38891 and 41913 between the OUCC and Sugar Creek Utilities states: "The parties recognize that as of June 15, 1995, Sugar Creek is entitled to record an accounting acquisition adjustment of \$64,752. The parties agree, however, to defer consideration of the rate making treatment for the acquisition adjustment until Sugar Creek's next rate case." Thus, the information sought in Data Request 87 is irrelevant.

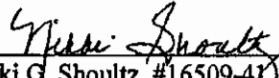
Response: Without waiver of and subject to the foregoing objection, Sugar Creek states:

- a. The base price was \$455,000.
- b. \$150,000 was allocated to Sugar Creek, and the remainder to Heartland Resort.
- c. The information sought is not available.

Q-88: Per Petitioner's response to data request Q-45, \$3,108 for shut-off valves is included in Petitioner's rate base. On which line of page W-3 of Petitioner's 2007 IURC annual report is this amount reflected and/or included?

Response: It does not or will not appear in the 2007 IURC annual report since the work was performed in 2008.

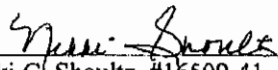
As to objections,


Nikki G. Shoultz, #16509-41
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served electronically upon the following
this 17th day of March, 2009:

Daniel LeVay, Esq.
Indiana Office of Utility Consumer Counselor
National City Center, Suite 1500 South
115 West Washington Street
Indianapolis, IN 46204
dlevay@oucc.in.gov


Nikki G. Shoultz, #16509-41

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000

1339529_1

Documents Responsive to Question 63

Mar 17 09 10:16a

INDIANAPOLIS, IN, 46217

treel

www.utilitysupplyco.com

TERMINAL I.D.: 0071130000950860141702

3217

(317) 707-8561 • Toll Free: 1-800-662-0829

MERCHANT #: 9508601417

IMSTERCARD

*****9907

SALE

RECORD #: 003

DATE: FEB 05, 17

AUTH: 054537

S
H
I
P
T
O

TOTAL \$108.88

I AGREE TO PAY ABOVE TOTAL AMOUNT
ACCORDING TO CARD ISSUER AGREEMENT
(MERCHANT AGREEMENT IF CREDIT VOUCHER)

CUSTOMER COPY

TAX JURISDICTION NO. / DESCRIPTION				TAX EXEMPT			
SHIP VIA	JOB NO.	CUST. ORDER NO.	SALESPERSON CLK	TERMS	COPY	PA	
ORDERED OR ORDERED	SHIPPED	DESCRIPTION	UNIT PRICE	AMOUNT			

SALES AMOUNT	SALES TAX	SHIPPING CHG.	CODE	DEPOSIT	CASH	CODE
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PLEASE PAY THIS AMT

A FINANCE CHARGE computed at a periodic rate of 1 1/2% per month (18% ANNUAL
PERCENTAGE RATE) is applied to PAST DUE ACCOUNTS OVER 30 DAYS.

RECEIVED BY _____

8.3

Mar 17 09 10:17a

Bruning Enterprises, Inc.

7718 N. State Road 9
Shelbyville, IN 46176

Voice: (317) 835-7591

Fax: (317) 836-2814

MAS ATTACHMENT 1

CAUSE NO. 43579

PAGE 75 OF 155

INVOICE

Invoice Number: 34119

Invoice Date: Jul 23, 2007

Page: 1

Bill To:

Heartland Resort LLC
1613 W. 300 N.
Greenfield, IN 46140

Ship to:

Customer ID	Customer PO	Payment Terms	
HearRe		Net 30 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Delivered		8/22/07

Quantity	Item	Description	Unit Price	Amount
1.00		100 Amp 3PH Breaker	92.90	92.90
1.00		Set-Q300 Lugs	10.00	10.00
Subtotal				102.90
Sales Tax				
Total Invoice Amount				102.90
Payment/Credit Applied				
TOTAL				102.90

Check/Credit Memo No:

Overdue invoices are subject to late charges.

Mar 17 09 10:18a

Crusky Enterprises, Inc.
7718 N. State Road 9
Shelbyville, IN 46176

INVOICE
Invoice Number: 34198
Invoice Date: Aug 14, 2007
Page: 1

Voice: (317) 835-7591
Fax: (317) 835-2814

BILL To:
Heartland Resort LLC 1613 W. 300 N. Greenfield, IN 46140

Ship to:

Customer ID --	Customer PO	Payment Terms	
HearRe		Net 30 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Hand Deliver		9/13/07

Quantity	Item	Description	Unit Price	Amount
1.00		200 Amp 3PH Load Center	600.00	600.00
Subtotal				600.00
Sales Tax				
Total Invoice Amount				600.00
Payment/Credit Applied				
TOTAL				600.00

Check/Credit Memo No:

Overdue invoices are subject to late charges.

MAS ATTACHMENT 1
p.7 **CAUSE NO. 43579**
PAGE 77 OF 155

Invoice Number: 33982
Invoice Date: May 24, 2007
Page: 1

Bill To: Heartland Resort LLC 1813 W. 300 N. Greenfield, IN 46140	Ship to:
---	-----------------

Customer ID	Customer PO	Payment Terms	
HearRe		Net 30 Days	
Sales Rep ID	Shipping Method	Ship Date	Due Date
	Airborne		6/23/07

Quantity	Item	Description	Unit Price	Amount
1.00		JMM3212T 5HP 3PH Motor C Fase	365.00	365.00

Subtotal	365.00
Sales Tax	21.90
Total Invoice Amount	365.00
Payment/Credit Applied	
TOTAL	365.00

Overdue invoices are subject to late charges.

Documents Responsive to Question 76

Mar 17 09 09:29a

Mar 17 2009 9:34AM ASTBURY GROUP

Astbury Water Technology, Inc.
ENVIRONMENTAL SERVICES

5933 W. 71ST STREET INDIANAPOLIS, IN 46278

MAS ATTACHMENT 1

CAUSE NO. 43579

No. 4293 P. PAGE 79 OF 155



(317) 290-1471 FAX (317) 290-1670

June 18, 2002

Mr. John Salis
Heartland Resort
1613 W. 300 N.
Greenfield, IN 46140

Subject: Environmental Services Proposal

Dear Mr. Salis:

Thank you for taking the time to meet with me and show me your plant yesterday. The following is the proposal we discussed for the operation of the package wastewater treatment plant located at Heartland Resort. Based on our meeting it is my understanding that Heartland Resort is interested in the following services from Astbury Water Technology, Inc. (AWT):

- On-site plant operation one day per week
- Sampling and testing once per week as required by IDEM
- Emergency services as needed (billed as an additional cost)
- Monthly report preparation and submittal
- Recommend modifications and upgrades of the WWTP as necessary (we can complete projects that your on-staff personnel do not wish to perform)

Scope of Work

Astbury Water Technology, Inc. will strive to achieve maximum efficiency from the treatment plant at all times with the desire to satisfy the owner, regulatory agencies, and interested persons at the Heartland Resort.

Operations

The following tasks will be performed at the wastewater treatment plant:

1. Understand exactly what the regulatory agencies expect in the way of performance, tests, and reports.
2. Become familiar with the sanitary sewer collection system and lift stations.

3. Adjust air valves, blower time clocks, floats, weirs, etc., as necessary for proper operation.
4. Waste and decant sludge in accordance with an established schedule.
5. Correspond with IDEM as required concerning any upsets or exceeded limits.
6. Collect samples as required by the permits. Samples will be properly preserved and transported to our laboratory for analysis. Chain-of-Custody will be maintained at all times.
7. Consult with the owner concerning potential improvements and upgrades.
8. Conduct and record results of the following onsite tests:
 - a. Dissolved oxygen
 - b. pH readings
 - c. Temperature
 - d. Chlorine residual
 - e. Settability
9. Consult with the owner on the need for non-routine maintenance or repairs.
10. Perform routine maintenance of the plant including:
 - a. Visual inspections of the plant to insure proper operation of all mechanical equipment.
 - b. Rake bar screen and dispose of screenings.
 - c. Check air system for equal distribution along entire length of tank.
 - d. Check diffusers for efficient operation.
 - e. Verify sludge returns are operating properly.
 - f. Check skimmer(s) for proper operation.
 - g. Remove floating materials in settling basins, agitate floating scum to facilitate release of nitrogen gases and settling of solids.
 - h. Clean sidewalls, hopper, weirs, pipe inlets and baffles in settling basins.
 - i. Verify operation of chlorinators and dechlorinators. Add disinfectant or dechlor when needed.
11. Complete system review forms (our form completed by our operators).
12. Preparation of all IDEM required reports including the Monthly Report of Operation (MRO) and the Discharge Monitoring Report (DMR).

Sampling and Testing

The analysis done by our laboratory will most likely exceed the testing done by your former consultant. We do more testing for process control which helps our operators make adjustments to the plant and consequently contributes to more efficient and effective operation of the package plant.

The following would be sampled for laboratory analysis once per week:

1. **cBOD₅**
 - a. Final Effluent
2. **Total Suspended Solids**
 - a. Final Effluent
 - b. Mixed Liquor Suspended Solids
 - c. Return Activated Sludge

The following would be sampled for laboratory analysis twice per month:

1. **cBOD₅**
 - a. Influent
 - b. Secondary Effluent
2. **Total Suspended Solids**
 - a. Influent
 - b. Secondary Effluent

Frequency of Operations

Operations at the Heartland Resort facility will consist of one visit per week.

Proposed Fees

This Scope of Work would be based upon a proposed monthly fee of \$695.00.

Astbury Water Technology, Inc. guarantees not to exceed the proposed Scope of Work or the proposed fees without prior approval.

Services beyond the scope of this proposal will be provided as needed and billed at \$66.00/hour and \$.50/mile. Additional materials will be billed at cost plus 15%.

Mar 17 09 09:28a

Mar 17, 2009 9:35AM ASTBURY GROUP

Wc.4299 P. 5/7

MAS ATTACHMENT 1

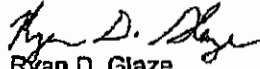
CAUSE NO. 43579

PAGE 82 OF 155

I feel that our company is ideally suited to meet the needs of Heartland Resort. Our involvement at KOA Campground means that we are already in the area and allows us to provide a more economical price for our services. If any part of this proposal does not meet with your expectations, please let me know how we can work together to amend it.

I appreciate the opportunity to provide this proposal. I have enclosed a list of references for your review. Please feel free to call me if you have any questions or comments.

Sincerely,



Ryan D. Glaze
Project Manager

RDG/rdg
Enclosure

cc: Dan Astbury, President

Mar 17 09 09:28a

Mar 17 2009 9:35AM ASTBURY GROUP

MAS ATTACHMENT 1

CAUSE NO. 43579

No. 4299 p. 6/7 PAGE 83 OF 155

TREATMENT PLANT OPERATIONS REFERENCES

Joe Letherman
Almac Sotebeer
Elkhart, IN
(219) 264-5507

Sharon Niccum
Act III Investments
Lebanon, IN
(317) 769-7529

Gary Douglas
Pilot Corporation
Knoxville, TN
(423) 588-7488, ext. 2746

Barbara Baker
Sun Communities, Inc.
Indianapolis, IN
(317) 826-8931

James Dougherty
Community Management Group, Inc.
Farmington Hills, MI
(248) 639-9100

Martin Hurford PE, State Engineer
State of Indiana
Public Works Division
(317) 232-3004

Bill Johnson
Northwest Consolidated Schools
Fairland, IN
(317) 835-7481

Bill Witek
KOA Indianapolis
Greenfield, IN
(317) 894-1397

Mar 17 09 09:28a

Mar 17, 2009 9:35AM ASTBURY GROUP

MAS ATTACHMENT 1
CAUSE NO. 43579
No. 4299 P. 7/7
PAGE 84 OF 155

Astbury Water Technology, Inc.
ENVIRONMENTAL SERVICES



5933 W. 71ST STREET INDIANAPOLIS, IN 46278

(317) 290-1471 FAX (317) 290-1670

June 26, 2002

Mr. John Salls
Heartland Resort
1613 W. 300 N.
Greenfield, IN 48140

Subject: Environmental Services

Dear Mr. Salls:

As per our proposal, Astbury Water Technology, Inc., will begin operations of the wastewater treatment plant at the Heartland Resort beginning July 1, 2002. We will contact to set up a time to meet for our initial visit.

Please let me know if I can be of any assistance in the meantime.

Sincerely,

Ryan D. Glaze
Project Manager

RDG/rdg

Documents Responsive to Question 78

2:43 PM

03/16/09

Accrual Basis

SUGAR CREEK UTILITIES INC 2000

Profit & Loss Detail

January through December 2007

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
Ordinary Income/Expense								
Income								
SEWERAGE INCOME								
Invoice	1/20/2007	95	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	4,140.00
Invoice	2/11/2007	96	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	8,280.00
Invoice	3/5/2007	97	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	12,420.00
Invoice	4/3/2007	98	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	16,560.00
Invoice	5/4/2007	99	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	20,700.00
Invoice	6/7/2007	100	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	24,840.00
Invoice	7/3/2007	101	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	28,980.00
Invoice	8/1/2007	102	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	33,120.00
Invoice	9/1/2007	103	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	37,260.00
Invoice	10/16/2007	104	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	41,400.00
Invoice	11/6/2007	105	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	45,540.00
Invoice	12/9/2007	106	RILEY VILLAGE H...	SEWERAGE		Accounts Rec...	4,140.00	49,680.00
Invoice	12/30/2007	107	HEARTLAND RES...	SEWERAGE		Accounts Rec...	18,483.00	68,143.00
Total SEWERAGE INCOME							68,143.00	68,143.00
WATER INCOME								
Invoice	1/20/2007	95	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	1,380.00
Invoice	2/11/2007	96	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	2,760.00
Invoice	3/5/2007	97	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	4,140.00
Invoice	4/3/2007	98	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	5,520.00
Invoice	5/4/2007	99	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	6,900.00
Invoice	6/7/2007	100	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	8,280.00
Invoice	7/3/2007	101	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	9,660.00
Invoice	8/1/2007	102	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	11,040.00
Invoice	9/1/2007	103	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	12,420.00
Invoice	10/16/2007	104	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	13,800.00
Invoice	11/6/2007	105	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	15,180.00
Invoice	12/9/2007	106	RILEY VILLAGE H...	WATER		Accounts Rec...	1,380.00	16,560.00
Invoice	12/30/2007	107	HEARTLAND RES...	WATER		Accounts Rec...	8,154.00	22,714.00
Total WATER INCOME							22,714.00	22,714.00
Total Income							90,857.00	90,857.00
Expense								
Automobile Expense								
Check	12/30/2007	X13	HEARTLAND RES...	AUTO LEASE		HEARTLAND/...	4,800.00	4,800.00
Total Automobile Expense							4,800.00	4,800.00
Dues and Subscriptions								
Check	1/1/2007	605	ALLIANCE OF INDI...			GREENFIELD...	100.00	100.00
Total Dues and Subscriptions							100.00	100.00

2:43 PM
03/18/09
Accrual Basis

SUGAR CREEK UTILITIES INC 2000
Profit & Loss Detail
January through December 2007

Type	Date	Num	Name	Memo	Cir	Split	Amount	Balance
Equipment Rental								
Check	12/30/2007	X13	HEARTLAND RES...	BACK HOE		HEARTLAND/...	2,800.00	2,800.00
Total Equipment Rental							2,800.00	2,800.00
Insurance								
Liability Insurance								
Bill	2/9/2007		HAMMONS, ROBE...			Accounts Pay...	470.00	470.00
Bill	5/31/2007		HAMMONS, ROBE...			Accounts Pay...	470.00	940.00
Bill	8/7/2007		HAMMONS, ROBE...			Accounts Pay...	470.00	1,410.00
Bill	11/10/2007		HAMMONS, ROBE...			Accounts Pay...	470.00	1,880.00
Total Liability Insurance							1,880.00	1,880.00
Total Insurance							1,880.00	1,880.00
Licenses and Permits								
IUPPS								
Bill	1/26/2007		IUPPS			Accounts Pay...	35.10	35.10
Check	4/24/2007	622	IUPPS	ID3181		GREENFIELD...	95.40	130.50
Bill	8/8/2007		IUPPS	2 QTR		Accounts Pay...	31.50	162.00
Bill	10/21/2007		IUPPS	3 QTR		Accounts Pay...	10.80	172.80
Total IUPPS							172.80	172.80
Licenses and Permits - Other								
Check	1/1/2007	606	IDEM	INVOICE 000...		GREENFIELD...	350.00	350.00
Check	1/1/2007	606	IDEM	INVOICE 000...		GREENFIELD...	100.00	450.00
Bill	1/16/2007		IDEM	npdes		Accounts Pay...	350.00	800.00
Bill	6/27/2007		INDIANA UTILITY ...			Accounts Pay...	89.65	889.65
Total Licenses and Permits - Other							889.65	889.65
Total Licenses and Permits							1,062.45	1,062.45
OFFICE RENT								
Check	12/30/2007	X13	HEARTLAND RES...	2007 OFFIC...		HEARTLAND/...	4,500.00	4,500.00
Total OFFICE RENT							4,500.00	4,500.00
Professional Fees								
Legal Fees								
Bill	7/26/2007		BOSE MCKINNEY ...			Accounts Pay...	50.00	50.00
Bill	9/7/2007		BOSE MCKINNEY ...			Accounts Pay...	50.00	100.00
Total Legal Fees							100.00	100.00

2:43 PM
03/16/09
Accrual Basis

SUGAR CREEK UTILITIES INC 2000
Profit & Loss Detail
January through December 2007

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
MANAGEMENT FEES								
General Journal	2/12/2007	25				GREENFIELD...	2,000.00	2,000.00
General Journal	2/22/2007	24				GREENFIELD...	2,000.00	4,000.00
General Journal	4/3/2007	29				GREENFIELD...	2,000.00	6,000.00
General Journal	4/10/2007	30				GREENFIELD...	2,000.00	8,000.00
General Journal	5/10/2007	32				GREENFIELD...	2,000.00	10,000.00
General Journal	6/10/2007	33				GREENFIELD...	2,000.00	12,000.00
General Journal	7/10/2007	34				GREENFIELD...	2,000.00	14,000.00
General Journal	8/10/2007	35				GREENFIELD...	2,000.00	16,000.00
General Journal	9/10/2007	36				GREENFIELD...	2,000.00	18,000.00
General Journal	10/10/2007	37				GREENFIELD...	2,000.00	20,000.00
General Journal	11/10/2007	38				GREENFIELD...	2,000.00	22,000.00
General Journal	12/10/2007	40				GREENFIELD...	2,000.00	24,000.00
Total MANAGEMENT FEES							24,000.00	24,000.00
Total Professional Fees							24,100.00	24,100.00
SEWAGE EXPENSE								
CONTRACTUAL SERVICES								
Check	1/20/2007	608	ASTBURY WATER...	111044		GREENFIELD...	921.00	921.00
Bill	2/22/2007		ASTBURY WATER...	111399		Accounts Pay...	921.00	1,842.00
Bill	3/12/2007		ASTBURY WATER...	111692		Accounts Pay...	921.00	2,763.00
Bill	4/19/2007		ASTBURY WATER...	112089		Accounts Pay...	921.00	3,684.00
Bill	5/31/2007		ASTBURY WATER...	112423		Accounts Pay...	1,101.33	4,785.33
Bill	5/31/2007		ASTBURY WATER...	112504	CH...	Accounts Pay...	5,427.96	10,213.29
Bill	6/18/2007		ASTBURY WATER...	112803		Accounts Pay...	1,197.24	11,410.53
Bill	6/27/2007		COMMERCIAL SE...	JET TRUCK		Accounts Pay...	150.00	11,560.53
Bill	7/25/2007		ASTBURY WATER...	113208		Accounts Pay...	1,179.74	12,740.27
Bill	8/7/2007		COMMERCIAL SE...	JET TRUCK		Accounts Pay...	300.00	13,040.27
Bill	8/7/2007		COMMERCIAL SE...			Accounts Pay...	392.00	13,432.27
Bill	8/7/2007		FIK EXCAVATIN...	PORT TOLIE...		Accounts Pay...	175.00	13,607.27
Bill	8/17/2007		BRUNING ENTERP...	200 AMP BOX		Accounts Pay...	600.00	14,207.27
Bill	8/17/2007		ASTBURY WATER...	113551		Accounts Pay...	921.00	15,128.27
Bill	9/7/2007		ASTBURY WATER...	113877		Accounts Pay...	921.00	16,049.27
Bill	11/1/2007		ASTBURY WATER...	11465		Accounts Pay...	1,114.62	17,163.89
Bill	11/23/2007		ASTBURY WATER...	114882		Accounts Pay...	921.00	18,084.89
Bill	12/21/2007		ASTBURY WATER...	114682		Accounts Pay...	921.00	19,005.89
Total CONTRACTUAL SERVICES							19,005.89	19,005.89
ELECTRIC PLANT								
Check	12/30/2007	X13	HEARTLAND RES...			HEARTLAND/...	12,000.00	12,000.00
Total ELECTRIC PLANT							12,000.00	12,000.00

2:43 PM
03/16/09
Accrual Basis

SUGAR CREEK UTILITIES INC 2000
Profit & Loss Detail
January through December 2007

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
MATERIAL & SUPPLIES								
HYDRASERVE								
Bill	7/25/2007		ITT WATER & WA...	PUMP		Accounts Pay...	3,718.52	3,718.52
Bill	8/4/2007		ITT WATER & WA...	PUMP		Accounts Pay...	3,707.54	7,426.06
Total HYDRASERVE							7,426.06	7,426.06
Total MATERIAL & SUPPLIES							7,426.06	7,426.06
S CONTRACTED EXPENSE HEARTLAND								
Check	12/30/2007	X13	HEARTLAND RES...			HEARTLAND/...	9,855.00	9,855.00
Check	12/30/2007	X13	HEARTLAND RES...	ADD HRS		HEARTLAND/...	1,062.00	10,917.00
Check	12/30/2007	X13	HEARTLAND RES...	ADD HRS H...		HEARTLAND/...	812.00	11,729.00
Total S CONTRACTED EXPENSE HEARTLAND							11,729.00	11,729.00
Total SEWAGE EXPENSE							50,160.95	50,160.95
Taxes								
Property								
Check	12/30/2007	X13	HEARTLAND RES...			HEARTLAND/...	1,934.00	1,934.00
Total Property							1,934.00	1,934.00
STATE RECEIPTS TAX								
Check	4/11/2007	619	INDIANA DEPART...	1st QTR		GREENFIELD...	231.84	231.84
Check	11/10/2007	648	INDIANA DEPART...	2ND & 3RD ...		GREENFIELD...	463.68	695.52
Check	12/28/2007	666	INDIANA DEPART...	4th qtr		GREENFIELD...	576.48	1,272.00
Total STATE RECEIPTS TAX							1,272.00	1,272.00
Total Taxes							3,206.00	3,206.00
WATER EXPENSE								
CONTRACTUAL SERVICES								
Bill	1/22/2007		HANCOCK WATER...			Accounts Pay...	25.00	25.00
Bill	2/22/2007		HANCOCK WATER...			Accounts Pay...	25.00	50.00
Bill	3/12/2007		HANCOCK WATER...			Accounts Pay...	25.00	75.00
Bill	4/19/2007		HANCOCK WATER...			Accounts Pay...	25.00	100.00
Bill	5/31/2007		HANCOCK WATER...			Accounts Pay...	50.00	150.00
Bill	6/18/2007		HANCOCK WATER...			Accounts Pay...	76.00	225.00
Bill	8/17/2007		HANCOCK WATER...			Accounts Pay...	25.00	280.00
Bill	9/28/2007		HANCOCK WATER...			Accounts Pay...	100.00	350.00
Bill	10/8/2007		ESG LABORATORI...			Accounts Pay...	30.00	380.00
Bill	12/21/2007		DELTA WATER MA...	SCC		Accounts Pay...	1,670.00	2,050.00
Bill	12/21/2007		HANCOCK WATER...			Accounts Pay...	25.00	2,075.00
Total CONTRACTUAL SERVICES							2,075.00	2,075.00
ELECTRIC WATER								
Check	12/30/2007	X13	HEARTLAND RES...			HEARTLAND/...	4,800.00	4,800.00
Total ELECTRIC WATER							4,800.00	4,800.00

2:43 PM
03/16/09
Accrual Basis

SUGAR CREEK UTILITIES INC 2000
Profit & Loss Detail
January through December 2007

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
W CONTRACTED EXPENSE HEARTLAND								
Check	12/30/2007	X13	HEARTLAND RES...			HEARTLAND/...	3,285.00	3,285.00
Total W CONTRACTED EXPENSE HEARTLAND							3,285.00	3,285.00
Total WATER EXPENSE							10,160.00	10,160.00
Total Expense							102,769.40	102,769.40
Net Ordinary Income							-11,912.40	-11,912.40
Net Income							-11,912.40	-11,912.40

Daniels, Sandy

From: Levay, Daniel
Sent: Tuesday, March 17, 2009 2:42 PM
To: Daniels, Sandy; Stull, Margaret; Bell, Scott
Subject: FW: Sugar Creek Utility Company, Cause No. 43579
Attachments: Responses to 5th DataReq.PDF

From: Whitton, Kathy E. [mailto:kwhitton@boselaw.com]
Sent: Tuesday, March 17, 2009 2:41 PM
To: Levay, Daniel
Cc: pc_cpa@msn.com; jsalisjr@aol.com; Shoultz, Nikki
Subject: Sugar Creek Utility Company, Cause No. 43579

Attached please find a copy of Sugar Creek Utility Company, Inc.'s Responses to the OUCC's Fifth Set of Data Requests.

BOSE
McKINNEY
& EVANS LLP
ATTORNEYS AT LAW

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3/17/2009

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
SUGAR CREEK UTILITY COMPANY, INC.) CAUSE NO. 43579
FOR APPROVAL OF A CHANGE IN)
RATES AND CHARGES.) Served: 3/24/09

**SUGAR CREEK UTILITY COMPANY, INC.'S
RESPONSES TO THE OUCC'S SIXTH SET OF DATA REQUESTS**

Sugar Creek Utility Company, Inc. ("Sugar Creek") submits its Responses to the Indiana Office of Utility Consumer Counselor's ("OUCC") Sixth Set of Data Requests as follows:

GENERAL OBJECTIONS:

1. Sugar Creek objects to the OUCC's Data Requests insofar as the OUCC attempts to impose upon Sugar Creek obligations different from, or in excess of, those imposed by the Indiana Rules of Trial Procedure, the Indiana Administrative Code or by the administrative law judge.
2. Sugar Creek objects to the Requests to the extent they seek disclosure of private and confidential business plans, analysis, strategies, data, customer records and other sensitive information protected from unwarranted disclosure or discovery by applicable law. Sugar Creek will not disclose such information until such time as an appropriate confidentiality order has been entered by the Commission and executed by the parties.
3. Sugar Creek objects to the Requests to the extent they seek information protected by the attorney-client privilege, the work-product doctrine, or other applicable

privileges and protections. Sugar Creek hereby claims all applicable privileges and protections to the fullest extent implicated by the Requests and excludes privileged information and materials from its responses. Any disclosure of such information or materials as a result of Sugar Creek's responses or otherwise is inadvertent and is not intended to waive any applicable privileges or protections.

4. Sugar Creek reserves all objections as to relevance and materiality. Sugar Creek submits these responses and is producing materials in response to the Requests without conceding the relevancy or materiality of the information or materials sought or produced, or their subject matter, and without prejudice to Sugar Creek's right to object to further discovery, or to object to the admissibility of proof on the subject matter of any response, or to the admissibility of any document or category of documents, at a future time. Any disclosure of information not responsive to the Requests is inadvertent and is not intended to waive Sugar Creek's right not to produce similar or related information or documents.

5. Sugar Creek objects to the Requests to the extent they call for identification of, or information contained in or derived from: (a) news articles, trade press reports, published industry services or reference materials, or similar publicly-available sources that are available for purchase or otherwise to the OUCC; (b) materials that are part of the public record in any legislative, judicial or administrative proceeding and reasonably available to the OUCC; (c) materials generated by the OUCC and thus presumably in the OUCC's own possession, custody or control; (d) materials otherwise available to the OUCC where response to the Request would impose unnecessary or unjust burdens or expense on Sugar Creek under the circumstances; and/or (e) previously

submitted or available to the OUCC in prefiled testimony, pre-hearing data submissions and other documents already filed with the Commission in the pending proceeding.

Subject to and without waiving the foregoing General Objections, each of which are incorporated by reference into the responses below as if fully restated therein, Sugar Creek provides the following responses to the OUCC's Requests. Sugar Creek's responses are based on the best information presently available; Sugar Creek reserves the right to amend, supplement, correct or clarify answers if other or additional information is obtained, and to interpose additional objections if deemed necessary.

REQUESTS

Q-89: Per Sugar Creek's response to data request Q-25 Sugar Creek intends to file errata to correct Mr. Callahan's testimony. Please state when these errata will be filed with the Commission and whether updated rate schedules will be made available.

Response: When Sugar Creek's counsel and accounting witness have an opportunity to complete the above-referenced task instead of responding to the OUCC's multiple sets of Data Requests, Sugar Creek will file the errata. Sugar Creek does not know the exact date when these errata will be filed, and if the errata results in the need to update the rate schedules, then Sugar Creek will update them.

Q-90: Please provide legible copies of all test year chemical invoices charged and/or allocated to Sugar Creek.

Response: Sugar Creek believes that the OUCC's staff reviewed and inspected these documents during its on-site audit in February, 2009. Sugar Creek attempted to duplicate the invoices to respond to this Question, but because the originals are in poor condition, the legibility was diminished even further when a photocopy was attempted.

Q-91: How many gallons of chorine, on average, are needed on an annual basis to operate Sugar Creek's sewer plant in conformity with state and federal regulations?

Response: Approximately 165 gallons of liquid chlorine plus approximately 150 pounds of chlorine tablets.

Q-92: Please confirm that the Heartland Resort facilities uses chorine for both the indoor swimming pool and the outdoor beach area.

Response: True.

Q-93: Please explain why no chemicals were allocated to indoor swimming pool usage during the test year. (See Petitioner's workpapers for chemical expenses.)

Response: The pool chemicals were purchased by Heartland Resort; therefore, there would be no need for any allocation. Mr. Salis purchases chemical (tablets) for the pool through Sam's Club. These tablets are used in the wastewater treatment plant as well. If anything, the cost of the tablets should be allocated to Sugar Creek.

Q-94: Per Sugar Creek's affiliated interest contract for labor services, on file with the Commission, Heartland Resort is required to: (1) maintain work orders which identify the type of work performed for Sugar Creek and (2) invoice Sugar Creek on a monthly basis for all labor provided.

- a. Please provide all test year invoices from Heartland Resort to Sugar Creek for labor services provided under this contract.
- b. Please provide copies of all test year work orders showing the work performed including whether this is skilled or unskilled labor.
- c. Please provide the time sheets and/or other documentation available to support the timesheet summary provided to the OUCC at its on-site audit.

Response:

- a. Heartland Resort bills Sugar Creek at the end of the year. The invoice is accessible on Heartland's computer records, but when printing was attempted, only the inputs printed, making the printed invoice incomplete. Upon request, Sugar Creek will make access to this computer image available for the OUCC's inspection.
- b. No work orders were prepared.
- c. Employees complete time cards reflecting the total hours worked per day or week, but the time cards do not show the tasks performed by each employee. Based on the management's experience with Sugar Creek's operational needs, and for administrative ease, Sugar Creek assumes that shared employees work 2 hours per day for the sewer utility and 4 hours a week for the water.

Q-95: Per the timesheet summary, 730 “daily” hours were allocated to the Sugar Creek Sewer Utility which equates to two hours each day (in a 365 day year). Please explain what work is being performed and who is performing this work.

Response: The work being performed includes normal maintenance including but not limited to cleaning, sludge pumping, daily plant monitoring and maintenance, sump testing, administrative duties. The work also includes any non-routine maintenance or repairs. Most work is performed by Mr. Salis.

Q-96: Per the timesheet summary, 215 “daily” hours were allocated to the Sugar Creek Water Utility which equates to approximately 4 hours each week (in a 365 day year). Please explain what work is being performed and who is performing this work.

Response: As the certified operator, Mr. Salis performs the majority of the work, which includes all operation and maintenance activities including but not limited to daily plant inspections, periodic water tests, correspondence with the water testing lab, boil water advisory activities, leak repairs, and administrative duties.

Q-97: Per the timesheet summary, 46 hours were allocated to “grass” which the OUCC understands to be mowing at the sewer plant. Please explain how that number of hours was determined. Precisely what land is being mowed? What is the square footage of the land being mowed.

Response: The 46 hours allocated to “grass” included mowing the 1.5 acres of hilly land at the sewer plant approximately every 2 weeks between early April and late November (approximately 17 times in 34 weeks), at 2 hours per mowing; plus an additional 12 hours spent annually on weed control.

Q-98: Per the timesheet summary, there are 15 hours described as “meter pit” – 5 hours each on 4/15/08, 4/22/08, and 12/22/08. Please explain precisely what work was being performed, where the work was performed, and who performed the work.

Response: On all three occasions, a leak initiated the work and the work performed included investigation of the complaint; arrangement of a contractor to perform the work; and the contractor’s installation of a meter pit and shut off valve at each location. The meter pit and shut off valve labor was performed by Turner Plumbing. Mr. Salis investigated and responded to the complaints; contacted the contractor; and supervised the labor.

Q-99: On each of the following dates please explain what work was performed and who performed the work as detailed in the timesheet summary – 7/10/2008 (36 hours), 7/11/2008 (36 hours), and 7/12/2008 (24 hours).

Response: On each of the enumerated dates, the work performed was the repair of a sewer line, and the work was performed by Mr. Salis (1/3 of the hours); employee Paul Scott (1/3 of the hours); and a former employee Shawn Hammond (1/3 of the hours).

Q-100: Regarding Sugar Creek's affiliated contract for Vehicle Leases:

- a. Please explain how the \$400 per month charge was derived including the calculation and all support and documentation.
- b. Please provide an updated Appendix A (list of vehicles available).
- c. Why does Sugar Creek require the availability of six (6) vehicles?
- d. Which vehicle(s) does Sugar Creek typically use and for what purpose(s)?

Response:

- a. The figure was derived based on a reasonable lease amount for a vehicle at the time the contract was executed.
- b. 2008 Jeep; 1997 Dodge Truck
- c. The vehicles listed on the affiliated contract were vehicles that were available for Sugar Creek's use at the time the affiliated contract was executed. Sugar Creek is presently only using the two vehicles listed in response to Question 100(b) above.
- d. Sugar Creek typically uses the truck when plowing is needed, if a wench is needed for lift station work, and to haul large or dirty supplies and parts. For other smaller jobs, Sugar Creek typically uses the jeep.

Q-101: Regarding Sugar Creek's affiliated contract for Management Services, please explain how the \$25,000 fee was determined. Please describe what executive management services are specifically provided under the agreement.

Response: The \$25,000 fee was determined as it was deemed a reasonable fee for the services to be provided. As to what executive management services are specifically provided under the agreement, the agreement speaks for itself. The services include but are not limited to administrative duties including customer and resident communications; state and federal regulatory compliance issues; responding to regulatory complaints and investigations; day-to-day operation of the water and sewer utilities; record-keeping requirements.

Q-102: Regarding Sugar Creek's affiliated agreement for the lease of office space:

a. Please explain how the \$375 per month charge was derived including the calculation and all support and documentation.

b. How much office space (how many rooms, how much square feet) is being used exclusively by Sugar Creek?

c. Is the office space shared or is it for the sole use of Sugar Creek?

d. what employees occupy Sugar Creek's office space and, on average, how many hours is it occupied during the month?

Response:

- a. At the time the affiliated contract was executed, it was determined based on the market conditions that a monthly rent of \$375 was reasonable for office rent and telephone service.
- b. The entirety of the office space is used by both Sugar Creek and Heartland Resort. The estimated square footage of the office is 315 square feet.
- c. See (b) above.
- d. See (b) above.

Q-103: What expenses has Mr. Salis paid out of his personal account? (See Petitioner's response to OUCC Q-59.)

Response: The management fee and various other fees and expenses including but not limited to engineering and legal fees, laboratory fees, electric bills, phone bills.

Q-104: What is the total amount Mr. Salis has paid out of his personal account?

Response: For the year 2008, see the loan from shareholder in the accounting exhibits.

Q-105: When and how often does Sugar Creek pay each of its affiliated agreements?

Response: One time per year; typically in late December.

Q-106: Is Sugar Creek performing every aspect of its operations? If not, please describe what aspect of its operations it is not currently performing.

Response: Yes.

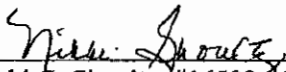
Q-107:What is Sugar Creek's understanding with respect to who owns Fountain Lake Drive? On what is this understanding based?

Response: Sugar Creek has not conducted an investigation to determine the current ownership of Fountain Lake Drive. Sugar Creek understands that Fountain Lake Drive may be owned by the Riley Village Homeowner's Association.

Q-108:How does Sugar Creek propose to acquire the right to place its proposed new main in the street? (See Petitioner's response to OUCC Q-62.)

Response: Once the ownership of Fountain Lake Drive is established, Sugar Creek will use the means legally available to it to place its new main in the street.


As to objections,


Nikki G. Shoultz, #1650941
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served electronically upon the following
this 24th day of March, 2009:

Daniel LeVay, Esq.
Indiana Office of Utility Consumer Counselor
National City Center, Suite 1500 South
115 West Washington Street
Indianapolis, IN 46204
dlevay@oucc.in.gov


Nikki G. Shoultz, #16509-41

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 100 OF 155

From: Levay, Daniel
Sent: Tuesday, March 24, 2009 5:10 PM
To: Stull, Margaret; Daniels, Sandy
Subject: FW: Sugar Creek Data Responses to OUCC's 6th Set

Attachments: SUGAR CREEK RESPONSES TO OUCC 6TH SET.PDF

From: Shoultz, Nikki [mailto:NShoultz@boselaw.com]
Sent: Tuesday, March 24, 2009 5:01 PM
To: Levay, Daniel
Subject: Sugar Creek Data Responses to OUCC's 6th Set

Please see attached.

Nikki Gray Shoultz
Bose McKinney & Evans LLP
E-mail: NShoultz@boselaw.com
Direct phone: 317-684-5242
www.boselaw.com

From: Sharescan
Sent: Tuesday, March 24, 2009 4:58 PM
To: Shoultz, Nikki
Subject: Scanned Document from Bose McKinney & Evans LLP

This message is from the law firm **Bose McKinney & Evans LLP**. This message and any attachments may contain legally privileged or confidential information, and are intended only for the individual or entity identified above as the addressee.

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SUGAR CREEK UTILITY COMPANY, INC.

Cause No. 43579

On-Site Audit Questions from the OUCC

	<u>Pages</u>
Alliance of Indiana & IDEM	1 - 6
Astbury Water	7 - 8
Fisk Excavating	9
Chemical	10 - 14
Purchased Power	15 - 40
Liability Insurance	41 - 49
Employee Labor Charges	50 - 51
Equipment Rental	52
Vehicles	53

ALLIANCE OF INDIANA

Copies of invoices.

IDEM FEES & NPDES FEES

Found one of the January, 2008 invoices.
Could not find the other two.

I have included the 3 invoices for 2009.

(1) Wastewater fee	\$350.00
(2) PWS fee	\$350.00
(2) PWS fee	\$100.00

PLEASE DETACH AND RETURN TO: PORTION B



P.O. Box 428
Beech Grove, IN 46107
(888) 937-4992

Date	Due Date	Invoice #
1/1/2008	1/31/2008	3716

Description	Amount
Annual Membership Dues: Small Utility Member	100.00

Make Checks Payable to:
Alliance of Indiana Rural Water

Total	\$100.00
Payments/Credits	\$0.00
Balance Due	\$100.00

Federal Tax I.D. # 31-1033584

Approximately 6% of your membership dues support government advocacy efforts and are not tax deductible.

653

2

PLEASE DETACH AND RETURN TOP PORTION WITH YOUR PAYMENT.



P.O. Box 428
Beech Grove, IN 46107
(888) 937-4992

Date	Due Date	Invoice #
1/1/2009	1/31/2009	4814

Description	Amount
Annual Membership Dues: Small Utility Member	100.00

Make Checks Payable to:
Alliance of Indiana Rural Water

Total	\$100.00
Payments/Credits	\$0.00
Balance Due	\$100.00

Federal Tax I.D. # 31-1033584

Approximately 10% of your membership dues support government advocacy efforts and are not tax deductible.

Da
12/

GRI



PLEASE REMIT TO:

INDIANA DEPT OF ENVIRONMENTAL MGMT
CASHIER OFFICE - MAIL CODE 50-10C
100 NORTH SENATE AVENUE
INDIANAPOLIS IN 46204

Page:

1

Invoice No:

000086111

Invoice Date:

01/07/2008

Customer Number:

CST100002486

Bill Type:

023

Payment Terms:

NET 60

Due Date:

03/07/2008

Bill To:

SUGAR CREEK UTILITY CO INC
ACCOUNTS PAYABLE
1613 WEST 300 NORTH
GREENFIELD IN 46140

AMOUNT DUE:

350.00

USD

Amount Remitted

☐ Note Address Changes Above

For billing questions, please call 317-233-0604

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
<p>- PLEASE NOTE NEW REMIT TO ADDRESS ABOVE.</p> <p>- Annual Fee Billing is required for active NPDES permits under Indiana Code: IC 13-18-20. To view via the Internet visit: http://www.IN.gov/legislative/ic/code/title13/ar18/ch20.html</p> <p>- Facilities with no discharge are still required to pay any applicable base fee as long as the permit is active. A permit is active until a written request for termination is submitted to IDEM and must be received prior to Jan 1 of the year.</p> <p>- NPDES permit fees are based on the activity status as of January 1 of the current year. Fees are not pro-rated. If a facility is sold or the permit terminated during the billing year, the entire amount of the assessed fee remains due and payable.</p> <p>- If payment of the full assessed fee amount imposes an undue burden upon the permit holder, the facility may notify this agency no later than February 15th to pay instead four equal installments spread evenly over the year.</p> <p>- Payments not received or received after the DUE date are subject to a delinquency charge equal to 10% of the assessed fee. Either the complete fee payment or the 1st installment is due March 15 (60 days after the assessment date).</p> <p>- If several permits or invoices are to be paid by one check, you MUST INCLUDE A COPY OF EACH BILLING INVOICE in order to ensure proper credit for each fee assessment.</p> <p>- For questions regarding flow values and invoice amounts contact the Office of Water Quality at 317-232-8472. Flow based fees are based on reported flow values for a twelve month period ending in June of the previous year.</p>							
1		08-IN0036528-0	Base fee -Semi-Public Minor	1.00		200.00	200.00
2		08-IN0036528-0	Flow Fee for .02 MGD	1.00		150.00	150.00

TOTAL AMOUNT DUE:

350.00

A copy of your invoice must be included with payment.

ck# 0654

4

INDIANA DEPT OF ENVIRONMENTAL MGMT
CASHIER OFFICE - MAIL CODE 50-10C
100 NORTH SENATE AVENUE
INDIANAPOLIS IN 46204

Invoice No: 000098016
Invoice Date: 01/09/2009
Customer Number: CST100002486
Bill Type: 023
Payment Terms: NET 60
Due Date: 03/10/2009

CAUSE NO. 43579
PAGE 106 OF 155

Bill To:

SUGAR CREEK UTILITY CO INC
ACCOUNTS PAYABLE
1613 WEST 300 NORTH
GREENFIELD IN 46140

AMOUNT DUE: 350.00 USD

Amount Remitted

☐ Note Address Changes Above

For billing questions, please call: 317-233-0604

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		09-IN0036528-0	Base fee -Semi-Public Minor	1.00		200.00	200.00
2		09-IN0036528-0	Flow Fee for .013 MGD	1.00		150.00	150.00

- Annual Fee Billing is required for active NPDES permits under Indiana Code: IC 13-18-20. To view via the Internet visit: <http://www.IN.gov/legislative/ic/code/title13/ar18/ch20.html>
- Facilities with no discharge are still required to pay any applicable base fee as long as the permit is active. A permit is active until a written request for termination is submitted to IDEM and must be received prior to Jan 1 of the year.
- NPDES permit fees are based on the activity status as of January 1 of the current year. Fees are not pro-rated. If a facility is sold or the permit terminated during the billing year, the entire amount of the assessed fee remains due and payable.
- If payment of the full assessed fee amount imposes an undue burden upon the permit holder, the facility may notify this agency no later than February 15th to pay instead four equal installments spread evenly over the year.
- Payments not received or received after the DUE date are subject to a delinquency charge equal to 10% of the assessed fee. Either the complete fee payment or the 1st installment is due March 15 (60 days after the assessment date).
- If several permits or invoices are to be paid by one check, you MUST INCLUDE A COPY OF EACH BILLING INVOICE in order to ensure proper credit for each fee assessment.
- For questions regarding flow values and invoice amounts contact Nancy Coker in the Office of Water Quality at 317-234-6690. Flow based fees are based on reported flow values for a twelve month period ending in June of the previous year.

TOTAL AMOUNT DUE :

350.00

A copy of your invoice must be included with payment.

5

INVOICE

Base Remit To:
INDIANA DEPT OF ENVIRONMENTAL MGMT
CASHIER OFFICE - MAIL CODE 50-10C
100 NORTH SENATE AVENUE
INDIANAPOLIS IN 46204

Page: 1
Invoice No: 000095732
Invoice Date: 01/02/2009
Customer Number: CST100002486
Bill Type: 060
Payment Terms: NET 60
Due Date: 03/03/2009

Bill To:
SUGAR CREEK UTILITY CO INC
MR JOHN SALIS-RILEY VILLAGE
1613 WEST 300 NORTH
GREENFIELD IN 46140

AMOUNT DUE: 350.00 USD

Amount Remitted

☐ Note Address Changes Above

For billing questions, please call 317-233-0604

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		09-IN5230006C-0	PWS Fee - SVC:180	1.00		350.00	350.00
<p>- This annual fee billing is required for active Public Water Systems (to defray the costs of administering activities of the federal Safe Drinking Water Act) under Indiana Code: IC 13-18-20.5. To view via the internet, visit:</p> <p>- http://www.IN.gov/legislative/ic/code/title13/ar18/ch20.5.html</p> <p>- Fees are based on the activity status as of December 31 of the previous year.</p> <p>- Fees on Community Water Systems will be based on the number of service connections on record for the month of December of the prior year.</p> <p>- Fees are not pro-rated. If a system is sold or inactivated during the billing year, the amount of the assessed fee remains due and payable.</p> <p>- If payment of the assessed fee amount imposes an undue burden on the public water system, the facility may notify this Agency within forty-five (45) days of this invoice date to pay in four equal installments within a year.</p> <p>- Payments not received or received after the DUE date are subject to a delinquency charge equal to 10% of the assessed fee.</p> <p>- If several invoices are to be paid by one check, you MUST INCLUDE A COPY OF EACH BILLING INVOICE in order to ensure proper credit for each fee assessment.</p> <p>- For questions regarding your assessed fee amount, please contact Deborah Glover in the Operations Section, Office of Water Quality at 317-232-8472.</p> <p>- ATTENTION: The due date shown in the upper right hand corner of this invoice reflects the standard 60 days past the invoice print date.</p>							

TOTAL AMOUNT DUE : 350.00

A copy of your invoice must be included with payment.

Please Remit To:

INDIANA DEPT OF ENVIRONMENTAL MGMT
CASHIER OFFICE - MAIL CODE 50-10C
100 NORTH SENATE AVENUE
INDIANAPOLIS IN 46204

Invoice No.

Invoice Date:

Customer Number:

Bill Type:

Payment Terms:

Due Date:

01/02/2009

CST100003812

062

NET 60

03/03/2009

Bill To:

HEARTLAND RESORT
MR JOHN SALIS
1613 WEST 300 NORTH
GREENFIELD IN 46140

AMOUNT DUE:

100.00

USD

Amount Remitted

☐ Note Address Changes Above

For billing questions, please call 317-233-0604

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
------	-----	------------	-------------	----------	-----	----------	------------

1		09-IN2300849T-0	PWS Fee - GW	1.00		100.00	100.00
---	--	-----------------	--------------	------	--	--------	--------

- This annual fee billing is required for active Public Water Systems (to defray the costs of administering activities of the federal Safe Drinking Water Act) under Indiana Code: IC 13-18-20.5. To view via the internet, visit:

- <http://www.IN.gov/legislative/ic/code/title13/ar18/ch20.5.html>

- Fees are based on the activity status as of December 31 of the previous year.

- Fees on Transient Non-Community Water System will be based on the type of water system on record by December 31 of the prior year.

- Fees are not pro-rated. If a system is sold or inactivated during the billing year, the amount of the assessed fee remains due and payable.

- If payment of the assessed fee amount imposes an undue burden on the public water system, the facility may notify this Agency within forty-five (45) days of this invoice date to pay in four equal installments within a year.

- Payments not received or received after the DUE date are subject to a delinquency charge equal to 10% of the assessed fee.

- If several invoices are to be paid by one check, you MUST INCLUDE A COPY OF EACH BILLING INVOICE in order to ensure proper credit for each fee assessment.

- For questions regarding your assessed fee amount, please contact Deborah Glover in the Operations Section, Office of Water Quality at 317-232-8472.

- ATTENTION: The due date shown in the upper right hand corner of this invoice reflects the standard 60 days past the invoice print date.

TOTAL AMOUNT DUE:

100.00

A copy of your invoice must be included with payment.

SUGAR CREEK UTILITIES INC

62

ASTBURY WATER

Copy of May, 2008 invoice is attached.

The invoice includes chemical costs.



5933 West 71st Street
Indianapolis, IN 46278

Phone / 317-328-7153
Fax / 317-328-7159

May 1, 2008

INVOICE # 117145

Invoice to: Heartland Resort
1613 W. 300 N.
Greenfield, IN 46140
Attn: John Salis

Ship to: Same

P.O. #:

INVOICE

<u>Description</u>	<u>Total Price</u>
Wastewater Treatment Plant Operations for the month of May, 2008	\$921.00
3 - 15 Gal. Liquid Dechlor @ \$52.90/ea. (Delivered 04/02/08)	\$158.70
Freight:	\$65.00
Invoice Subtotal:	\$1,144.70
Indiana Sales Tax (7%):	\$15.66
Total Invoice Amount:	\$1,160.36

Terms: Net 30 days

Please make check payable to Astbury Water Technology, Inc.
Please refer to invoice number on remittance.

ck# 0675
5/26/08

FISK EXCAVATING

Fisk was contracted to remove sludge from treatment plant. In addition, they would clean-out the porta-toilets.

Now, Fisk is not contracted to do the sludge removal, but did clean-out the porta-toilets. They billed for that service separately. It appears this costs should not be paid by Sugar Creek's customers.

CHEMICAL INVOICES

Original invoices are yellow and the print is very light. If you need the originals, we'll be happy to provide them.

PRELIMINARY

PACKAGING	HM	DESCRIPTION	M	QUANTITY	PRODUCT	CONTAINER	
			ORDERED	BACK ORDERED	CODE	DEPOSIT	

JRS DURING TRANSPORTATION:

materials are properly classified, described, packaged, marked, and labeled, and are in proper to the applicable regulations of the Department of Transportation.

THE GOODS COVERED BY THIS DOCUMENT SHALL CONSTITUTE ACCEPTANCE
TERMS AND CONDITIONS OF SALE STATED ON THE REVERSE SIDE HEREOF.
BY ACKNOWLEDGES RECEIPT OF ALL REQUIRED MSDS(S).

Date: _____

① pg. 1 of 2

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 113 OF 155

BRENTAG

PACKAGING	HM	DESCRIPTION	M	QUANTITY		PRODUCT CODE	CONTAINER DEPOSIT
				ORDERED	BACK ORDERED		

CCURS DURING TRANSPORTATION:

334.06

materials are properly classified, described, packaged, marked, and labeled, and are in proper to the applicable regulations of the Department of Transportation.

THE GOODS COVERED BY THIS DOCUMENT SHALL CONSTITUTE ACCEPTANCE
TERMS AND CONDITIONS OF SALE STATED ON THE REVERSE SIDE HEREOF.
BY ACKNOWLEDGES RECEIPT OF ALL REQUIRED MSDS(S).

Date: _____

① Page 2 of 2

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 114 OF 155

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ORIGINAL

PACKAGING	HM	DESCRIPTION	M	QUANTITY		PRODUCT CODE	CONTAINER DEPOSIT	GROSS WEIGHT
				ORDERED	BACK ORDERED			

IS DURING TRANSPORTATION:

materials are properly classified, described, packaged, marked, and labeled, and are in proper to the applicable regulations of the Department of Transportation.

IF THE GOODS COVERED BY THIS DOCUMENT SHALL CONSTITUTE ACCEPTANCE TERMS AND CONDITIONS OF SALE STATED ON THE REVERSE SIDE HEREOF. BUYER ACKNOWLEDGES RECEIPT OF ALL REQUIRED MSDS(S).

Date: _____

(2)

Page 1 of 2

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 115 OF 155

13

BRENNTAG

PACKAGING	HM	DESCRIPTION	M	QUANTITY		PRODUCT CODE	CONTAINER DEPOSIT
				ORDERED	BACK ORDERED		

CURS DURING TRANSPORTATION:

207.96

ed materials are properly classified, described, packaged, marked, and labeled, and are in proper
ing to the applicable regulations of the Department of Transportation.

OF THE GOODS COVERED BY THIS DOCUMENT SHALL CONSTITUTE ACCEPTANCE
TERMS AND CONDITIONS OF SALE STATED ON THE REVERSE SIDE HEREOF.
HEREBY ACKNOWLEDGES RECEIPT OF ALL REQUIRED MSDS(S).

Date: _____

(2)

Page 2 of 2

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 116 OF 155

PURCHASED POWER

(Invoices attached)

January	\$ 5,912.96
February	8,022.14
March	6,724.98
April	7,143.04
May	6,421.28
June	9,549.37
July	10,466.16
August	11,873.34
September	13,485.08
October	8,517.45
November	7,787.66
December	<u>6,047.39</u>

Total	<u>\$ 101,950.85</u>
-------	----------------------

		<u>% of Total</u>
Water Utility	4,800.00	4.7%
Sewer Utility	12,000.00	11.8%

9:36 AM
03/02/09

HEARTLAND RESORT LLC
All Transactions for CENTRAL INDIANA POWER
January through December 2008

Type	Num	Date	Account	Amount
Jan - Dec 08				
Bill		12/17/2008	Accounts Payable	-6,047.39
Bill Pmt -Check	7969	12/17/2008	CHECKING	-6,047.39 ✓
Bill		11/19/2008	Accounts Payable	-7,787.66
Bill Pmt -Check	7934	11/19/2008	CHECKING	-7,787.66 ✓
Bill		10/17/2008	Accounts Payable	-8,517.45
Bill Pmt -Check	7902	10/17/2008	CHECKING	-8,517.45 ✓
Bill		9/15/2008	Accounts Payable	-13,485.08
Bill Pmt -Check	7855	9/15/2008	CHECKING	-13,485.08 ✓
Bill		8/22/2008	Accounts Payable	-11,873.34
Bill Pmt -Check	7791	8/22/2008	CHECKING	-11,873.34 ✓
Bill Pmt -Check	7704	7/23/2008	CHECKING	-10,466.18 ✓
Bill		7/5/2008	Accounts Payable	-10,466.16
Bill Pmt -Check	7664	6/26/2008	CHECKING	-9,549.37 ✓
Bill		6/15/2008	Accounts Payable	-9,549.37
Bill		5/17/2008	Accounts Payable	-6,422.42
Bill Pmt -Check	7570	5/17/2008	CHECKING	-6,422.42 ✓ 6421.28 ✓
Bill		4/10/2008	Accounts Payable	-7,143.02
Bill Pmt -Check	7515	4/10/2008	CHECKING	-7,143.02 ✓
Bill		3/12/2008	Accounts Payable	-6,724.98
Bill Pmt -Check	7463	3/12/2008	CHECKING	-6,724.98 ✓
Bill		2/18/2008	Accounts Payable	-8,022.14
Bill Pmt -Check	7435	2/18/2008	CHECKING	-8,022.14 ✓
Bill		1/25/2008	Accounts Payable	-5,912.96
Bill Pmt -Check	7410	1/25/2008	CHECKING	-5,912.96 ✓
Jan - Dec 08				

16



**Central
Indiana
Power**

2243 E MAIN STREET
PO BOX 188
GREENFIELD IN 46140-0188

A Touchstone Energy® Cooperative

Office Hours: 7:30am to 4:30pm Monday - Friday
Billing Inquiries: (317)462-4417 or (800)350-9566
Email: Billing@cipower.com -- www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.

5,912.96
Jan

Bill Date: 01/16/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		2800600005		1613 W 300 N	GSDMD		106500 kwh	REGULAR
27693784	600	12/11/07	01/04/08	24 Days	9474	9591	70200 kwh	
PREVIOUS BALANCE								\$7,963.90
PAYMENTS								-7,963.90
DEMAND CHARGE								1,036.46
ENERGY CHARGE								4,557.33
PRIMARY SERVICE DISCOUNT								-45.30
STATE SALES TAX								332.91
ELECTRIC SERVICE TOTAL								5,881.40

1509910000 Group: 35285



**Central
Indiana
Power**

2243 E MAIN STREET
PO BOX 188
GREENFIELD IN 46140-0188

A Touchstone Energy® Cooperative

Office Hours: 7:30am to 4:30pm Monday - Friday
Billing Inquiries: (317)462-4417 or (800)350-9566
Email: Billing@cipower.com — www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

1649 1 AV 0.312
HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

4 1649
C-5 P-5

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

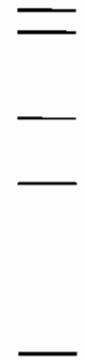
Register any question about this bill prior to the due date.



Bill Date: 01/16/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		1509910000		RILEY VILLAGE LT105REAR		GEN	97 kwh	REGULAR
21340820	1	12/11/07	01/04/08	24 Days	9698	9806	108 kwh	
PREVIOUS BALANCE								\$35.78
PAYMENTS								-35.78
ENERGY CHARGE								29.77
STATE SALES TAX								1.79
ELECTRIC SERVICE TOTAL								31.56



18

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 120 OF 155



Central
Indiana
Power

2243 E MAIN STREET
PO BOX 188
GREENFIELD IN 46140-0188

A Touchstone Energy® Cooperative 

Office Hours: 7:30am to 4:30pm Monday - Friday
Billing Inquiries: (317)462-4417 or (800)350-9566
Email: Billing@cipower.com --- www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.

8, 12, 14
Feb

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		2800600005		1613 W 300 N		GSDMD	112200 kwh	REGULAR
27693784	600	01/04/08	02/07/08	34 Days	9591	9766	105000 kwh	
PREVIOUS BALANCE								\$5,881.40
PAYMENTS								-5,881.40
DEMAND CHARGE								991.85
ENERGY CHARGE								6,585.75
PRIMARY SERVICE DISCOUNT								-43.35
STATE SALES TAX								452.00
ELECTRIC SERVICE TOTAL								7,986.30

19

**MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 121 OF 155**

1509910000 Group: 35286



**Central
Indiana
Power**
2243 E MAIN STREET
PO BOX 188
GREENFIELD IN 46140-0188

A Touchstone Energy Cooperative

Office Hours: 7:30am to 4:30pm Monday - Friday
Billing Inquiries: (317)462-4417 or (800)350-9566
Email: Billing@cipower.com — www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

1649 1 AV 0.312 4 1649
HEARTLAND RESORT LLC C-5 P-5
1613 W 300 N
GREENFIELD IN 46140-9578

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

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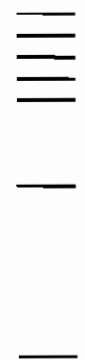
Register any question about this bill prior to the due date.



Bill Date: 02/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN		41 kwh	REGULAR
21340820	1	01/04/08	02/07/08	34 Days	9806	9955	149 kwh
PREVIOUS BALANCE							\$31.56
PAYMENTS							-31.56
ENERGY CHARGE							33.80
STATE SALES TAX							2.03
ELECTRIC SERVICE TOTAL							35.83



20

MAS ATTACHMENT
CAUSE NO. 43579
PAGE 122 OF 155



**Central
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GREENFIELD IN 46140-9578

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6,724 98
March

Bill Date: 03/14/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago		Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount	
		From	To		Previous	Present			
ELECTRIC		2800600005		1613 W 300 N	GSDMD	104400 kwh	REGULAR		
27693784	600	02/07/08	03/06/08	28 Days	9766	9908	85200 kwh		
PREVIOUS BALANCE								\$7,986.31	
PAYMENTS								-7,986.31	
DEMAND CHARGE								916.34	
ENERGY CHARGE								5,437.75	
PRIMARY SERVICE DISCOUNT								-40.05	
STATE SALES TAX								378.84	
ELECTRIC SERVICE TOTAL								6,692.88	



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1861 2 AV 0.437 4 1861
HEARTLAND RESORT LLC C-6 P-6
1613 W 300 N
GREENFIELD IN 46140-9578

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Bill Date: 03/14/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		1509910000		RILEY VILLAGE LT105REAR		GEN	32 kwh	REGULAR
21340820	1	02/07/08	03/06/08	28 Days	9955	10066	111 kwh	
PREVIOUS BALANCE								\$35.83
PAYMENTS								-35.83
ENERGY CHARGE								30.28
STATE SALES TAX								1.82
ELECTRIC SERVICE TOTAL								32.10

2809800005 Group: 35286



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HEARTLAND RESORT LLC
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GREENFIELD IN 46140-9578

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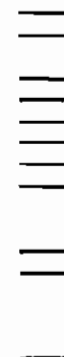
ANNUAL MEETING APRIL 19, 2008
REGISTRATION 9:00 A.M. TO 11:00 A.M.
BUSINESS MEETING 11:00 A.M.

7,143.04
April

Bill Date: 04/14/2008

Page 1 of 1

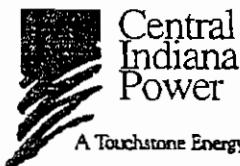
Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		2800800005		1613 W 300 N	GSDMD	121200 kwh	REGULAR
27693784	600	03/06/08	04/09/08	34 Days	9908	10063	93000 kwh
PREVIOUS BALANCE							\$6,692.88
PAYMENTS							-6,692.88
DEMAND CHARGE							895.75
ENERGY CHARGE							5,850.17
PRIMARY SERVICE DISCOUNT							-39.15
STATE SALES TAX							402.41
ELECTRIC SERVICE TOTAL							7,109.18



MAS ATTACHMENT 1
CAUSE NO. 43579
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1509910000 Group: 35286



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1639 2 AV 0.437
HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

4 1639
C-6 P-6

IMPORTANT INFORMATION

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ANNUAL MEETING APRIL 19, 2008
REGISTRATION 9:00 A.M. TO 11:00 A.M.
BUSINESS MEETING 11:00 A.M.

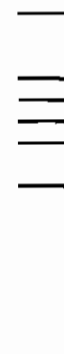


Bill Date: 04/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	46 kwh	REGULAR	
21340820	1	03/06/08	04/09/08	34 Days	10066	10195	129 kwh

PREVIOUS BALANCE	\$32.10
PAYMENTS	-32.10
ENERGY CHARGE	31.94
STATE SALES TAX	1.92
ELECTRIC SERVICE TOTAL	33.86



24

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 126 OF 155

2800600005 Group: 35286



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HEARTLAND RESORT LLC
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YOUR 2007 CAPITAL CREDIT ALLOCATION:
COOP \$2,254.28
G&T \$734.43
YOUR TOTAL CAPITAL CREDIT ACCOUNT:
TOTAL UNRETIRED: \$22,207.40

6/21.28

may

Bill Date: 05/15/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		2800600005		1613 W 300 N	GSDMD	66600 kwh	REGULAR
27693784	600	04/09/08	05/07/08	28 Days	10063	10191	76800 kwh
PREVIOUS BALANCE							\$7,109.18
PAYMENTS							-7,109.18
DEMAND CHARGE							984.98
ENERGY CHARGE							5,030.36
PRIMARY SERVICE DISCOUNT							-43.05
STATE SALES TAX							418.06
ELECTRIC SERVICE TOTAL							6,390.35

NOTICE: YOUR CAPITAL CREDIT ALLOCATION IS DETAILED ABOVE.

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 127 OF 155

1509910000 Group: 35285



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1856 1 AV O.324
HEARTLAND RESORT LLC
1613 W 300 N
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Bill Date: 05/15/2008

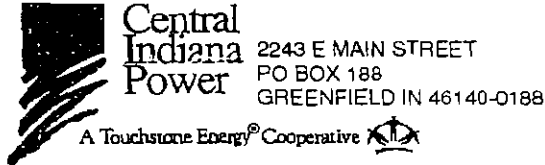
Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN		63 kwh	REGULAR
21340820	1	04/09/08	05/07/08	28 Days	10195	10291	96 kwh
PREVIOUS BALANCE							\$33.86
PAYMENTS							-33.84
BALANCE FORWARD							0.02
ENERGY CHARGE							28.89
STATE SALES TAX							2.02
ELECTRIC SERVICE TOTAL							30.93

26

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 128 OF 155

2800600005 Group: 35285



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HEARTLAND RESORT LLC
 1513 W 300 N
 GREENFIELD IN 46140-9578

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9,549.37
 June

Bill Date: 06/19/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		2800600005	1613 W 300 N		GSDMD	115200 kwh	REGULAR
27693784	600	05/07/08	06/11/08	35 Days	10191	10385	116400 kwh

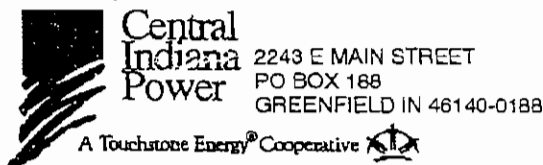
PREVIOUS BALANCE	\$6,390.35
PAYMENTS	-6,390.35
DEMAND CHARGE	1,410.55
ENERGY CHARGE	7,543.57
PRIMARY SERVICE DISCOUNT	-61.65
STATE SALES TAX	622.47
ELECTRIC SERVICE TOTAL	9,514.94

|||||

27

MAS ATTACHMENT 1
 CAUSE NO. 43579
 PAGE 129 OF 155

1509910000 Group: 35286



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1861 2 AV 0.449
 HEARTLAND RESORT LLC
 1613 W 300 N
 GREENFIELD IN 46140-9578
 4 1861
 C-6 P-6

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Bill Date: 06/19/2008

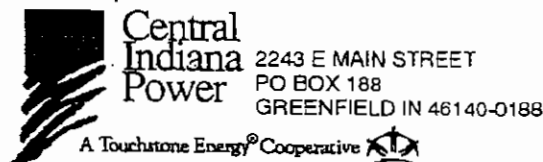
Page 1 of 1

Service Type		Account#	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Current Usage	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	32 kwh	REGULAR	
21340820	1	05/07/08	06/11/08	35 Days	10291	10434	143 kwh
PREVIOUS BALANCE							\$30.93
PAYMENTS							-32.07
BALANCE FORWARD							-1.14
ENERGY CHARGE							33.24
STATE SALES TAX							2.33
ELECTRIC SERVICE TOTAL							34.43

28

MAS ATTACHMENT 1
 CAUSE NO. 43579
 PAGE 130 OF 155

2800600005 Group: 35286



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10,466.16
 July

Bill Date: 07/16/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		2800600005	1613 W 300 N		GSDMD	136200 kwh	REGULAR
27693784	600	06/11/08	07/08/08	27 Days	10385	10565	108000 kwh
PREVIOUS BALANCE							\$9,514.94
PAYMENTS							-9,514.94
DEMAND CHARGE							2,148.43
ENERGY CHARGE							7,694.11
PRIMARY SERVICE DISCOUNT							-93.90
STATE SALES TAX							682.40
ELECTRIC SERVICE TOTAL							10,431.04

29

MAS ATTACHMENT 1
 CAUSE NO. 43579
 PAGE 131 OF 155

1509910000 Group: 35285



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1863 1 AV 0.324 4 1863
HEARTLAND RESORT LLC C-5 P-5
1613 W 300 N
GREENFIELD IN 46140-9578

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Bill Date: 07/16/2008

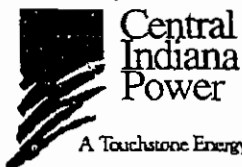
Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	Amount
		From	To		Previous	Present		
ELECTRIC		1509910000		RILEY VILLAGE LT105REAR	GEN	28 kwh	REGULAR	
21340820	1	06/11/08	07/08/08	27 Days	10434	10572	138 kwh	

PREVIOUS BALANCE	\$34.43
PAYMENTS	-34.43
ENERGY CHARGE	32.82
STATE SALES TAX	2.30
ELECTRIC SERVICE TOTAL	35.12

30

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 132 OF 155



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11,873.34
Aug

Bill Date: 08/14/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		2800600005		1613 W 300 N	GSDMD		143400 kwh	REGULAR
27693784	600	07/08/08	08/07/08	30 Days	10565	10785	132000 kwh	
PREVIOUS BALANCE								\$10,431.04
PAYMENTS								-10,431.04
DEMAND CHARGE								2,141.57
ENERGY CHARGE								9,014.12
PRIMARY SERVICE DISCOUNT								-93.60
STATE SALES TAX								774.36
ELECTRIC SERVICE TOTAL								11,836.44

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—
—
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31

1509910000 Group: 35286



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1642 1 AV 0.324 4 1642
HEARTLAND RESORT LLC C-5 P-5
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GREENFIELD IN 46140-9578

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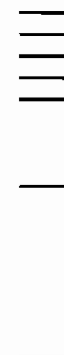


Bill Date: 08/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	28 kwh	REGULAR	
21340820	1	07/08/08	08/07/08	30 Days	10572	10728	156 kwh

PREVIOUS BALANCE	\$35.12
PAYMENTS	-35.12
ENERGY CHARGE	34.49
STATE SALES TAX	2.41
ELECTRIC SERVICE TOTAL	36.90



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MAS ATTACHMENT 1
CAUSE NO. 43579
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2800600005 Group: 05286



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13,485.08
sept

Bill Date: 09/16/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago		Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage		\$Amount
		From	To		Previous	Present			
ELECTRIC		2800600005		1613 W 300 N	GSDMD	183600 kwh	REGULAR		
27693784	600	08/07/08	09/09/08	33 Days	10785	10999	128400 kwh		
PREVIOUS BALANCE									\$11,836.44
PAYMENTS									-11,836.44
DEMAND CHARGE									2,525.95
ENERGY CHARGE									10,148.77
PRIMARY SERVICE DISCOUNT									-110.40
STATE SALES TAX									879.50
ELECTRIC SERVICE TOTAL									13,443.82

MASS ATTACHMENT 1
CAUSE NO. 43579
PAGE 135 OF 155

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1509910000 Group: 35286



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1645 2 AV 0.449 4 1645
HEARTLAND RESORT LLC C-6 P-6
1613 W 300 N
GREENFIELD IN 46140-9578



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Bill Date: 09/16/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago		Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage		Amount
		From	To		Previous	Present			
ELECTRIC		1509910000		RILEY VILLAGE LT105REAR	GEN	76 kwh	REGULAR		
21340820	1	08/07/08	09/09/08	33 Days	10728	10912	184 kwh		
PREVIOUS BALANCE									\$36.90
PAYMENTS									-36.90
ENERGY CHARGE									38.56
STATE SALES TAX									2.70
ELECTRIC SERVICE TOTAL									41.26

MASS ATTACHMENT 1
CAUSE NO. 43579
PAGE 136 OF 155

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**Central
Indiana
Power**

2243 E MAIN STREET
PO BOX 188
GREENFIELD IN 46140-0188

A Touchstone Energy® Cooperative

Office Hours: 7:30am to 4:30pm Monday - Friday
Billing Inquiries: (317)482-4417 or (800)350-9566
Email: Billing@cipower.com -- www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.

851745
Oct.

Bill Date: 10/14/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	Amount
		From	To		Previous	Present		
ELECTRIC		2800600005		1613 W 300 N	GSDMD		108600 kwh	REGULAR
27693784	600	09/09/08	10/07/08	28 Days	10999	11137	82800 kwh	
PREVIOUS BALANCE								\$13,443.82
PAYMENTS								-13,443.82
DEMAND CHARGE								1,520.38
ENERGY CHARGE								6,469.35
PRIMARY SERVICE DISCOUNT								-66.45
STATE SALES TAX								554.63
ELECTRIC SERVICE TOTAL								8,477.91

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24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

1642 1 AV 0.324
HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

4 1642
C-5 P-5



IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

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Register any question about this bill prior to the due date.

Bill Date: 10/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	101 kwh	REGULAR	
21340820	1	09/09/08	10/07/08	28 Days	10912	11080	168 kwh
PREVIOUS BALANCE							\$41.26
PAYMENTS							-41.26
ENERGY CHARGE							36.95
STATE SALES TAX							2.59
ELECTRIC SERVICE TOTAL							39.54





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1-866-305-1270

HEARTLAND RESORT LLC
1513 W 300 N
GREENFIELD IN 46140-9578

IMPORTANT INFORMATION

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If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.

7.787.66

MOV

Bill Date: 11/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		2800600005	1613 W 300 N		GSDMD	91800 kwh	REGULAR
27693784	600	10/07/08	11/11/08	35 Days	11137	11276	83400 kwh
PREVIOUS BALANCE							\$8,477.91
PAYMENTS							-8,477.91
DEMAND CHARGE							1,105.10
ENERGY CHARGE							6,178.79
PRIMARY SERVICE DISCOUNT							-48.30
STATE SALES TAX							506.49
ELECTRIC SERVICE TOTAL							7,742.08

37

1509910000 Group: 35286



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Indiana
Power**

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1-866-305-1270

1645 1 AV 0.324
HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

4 1645
C-5 P-5

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

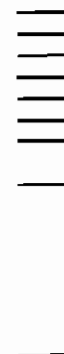
Register any question about this bill prior to the due date.



Bill Date: 11/14/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		SAmount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	120 kwh	REGULAR	
21340820	1	10/07/08	11/11/08	35 Days	11080	11304	224 kwh
PREVIOUS BALANCE							\$39.54
PAYMENTS							-39.54
ENERGY CHARGE							42.60
STATE SALES TAX							2.98
ELECTRIC SERVICE TOTAL							45.58



MAS ATTACHMENT 1
CAUSE NO. 43579
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Central
Indiana
Power

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PO BOX 188
GREENFIELD IN 46140-0188

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Billing Inquiries: (317)462-4417 or (800)350-9566
Email: Billing@cipower.com — www.cipower.com
24 HOUR EMERGENCY ON POWER OUTAGE
1-866-305-1270

HEARTLAND RESORT LLC
1613 W 300 N
GREENFIELD IN 46140-9578

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.

6,047 39
Dec

Amount Due \$6,006.34 by 01/05/2009

Bill Date: 12/15/2008

Page 1 of 1

Service Type		Account #		Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		Current Usage	\$Amount
		From	To		Previous	Present		
ELECTRIC		2800600005		1613 W 300 N	GSDMD	107400 kwh	REGULAR	
27693784	600	11/11/08	12/08/08	27 Days	11276	11386	66000 kwh	
PREVIOUS BALANCE								\$7,742.08
PAYMENTS								-7,742.08
DEMAND CHARGE								806.52
ENERGY CHARGE								4,842.13
PRIMARY SERVICE DISCOUNT								-35.25
STATE SALES TAX								392.94
ELECTRIC SERVICE TOTAL								6,006.34

MAS ATTACHMENT D
CAUSE NO. 43579
PAGE 141 OF 155

39

1509910000 Group: 35286



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Indiana
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Email: Billing@cipower.com -- www.cipower.com
24 HOUR EMERGENCY OR POWER OUTAGE
1-866-305-1270

1639 2 AV 0.449 4 1639
HEARTLAND RESORT LLC C-6 P-6
1613 W 300 N
GREENFIELD IN 46140-9578

IMPORTANT INFORMATION

Allow ample time for delivery before the due date when mailing your payment.

Outside depository is available after hours for your convenience.

If your bill states "Account is Subject to Disconnect . . .", the balance forward amount needs to be paid immediately to avoid disconnection.

Register any question about this bill prior to the due date.



Amount Due \$41.05 by 01/05/2009

Bill Date: 12/15/2008

Page 1 of 1

Service Type		Account #	Service Location		Rate	Usage 1 Year Ago	Bill Type
Meter Number	Multiplier	Service		Usage Period	Meter Readings		\$Amount
		From	To		Previous	Present	
ELECTRIC		1509910000	RILEY VILLAGE LT105REAR	GEN	152 kwh	REGULAR	
21340820	1	11/11/08	12/08/08	27 Days	11304	11486	182 kwh
PREVIOUS BALANCE							\$45.58
PAYMENTS							-45.58
ENERGY CHARGE							38.36
STATE SALES TAX							2.69
ELECTRIC SERVICE TOTAL							41.05

MAS ATTACHMENT 1
CAUSE NO. 43579
PAGE 142 OF 155

Return this Payment to: Yr -

40

LIABILITY INSURANCE

Client: Sugar Creek Utilities

Invoice	Effective	Transaction	Description	Amount
29044	02/29/2008	Installment	Policy #CAP7698573 05/31/2007-05/31/2008 Cincinnati Insurance Company Package (C)	470.00
				Total
				470.00
				Thank you

HRM Insurance Services, Inc.
(317)861-7524

Date
01/30/2008

47

SUB

			Description	Amount
29041	02/29/2008	Installment	#CAP5877082 05/31/2007-05/31/2008 Cincinnati Insurance Company Package (C)	8,377.00
			Policy #WC8969608-10 05/31/2007-05/31/2008 Cincinnati Casualty Company	513.00
			Workers Compensation	5.00
			IN 2nd Injury Fund	
			Credit on Account	(1200.00)
			Amt due:	\$7695.00
			Total	8,895.00
			Thank you	

HRM Insurance Services, Inc.
(317)861-7524

Date
01/30/2008

43

Customer: Sugar Creek Utilities

Invoice	Effective	Transaction	Description	Amount
30555	05/31/2008	Renew policy	Policy #CAP5149287 05/31/2008-05/31/2011 Cincinnati Insurance Company Package/Quarterly Installment	363.00
				Total
				363.00
<div> <div>08/31/2008</div> <div> <div>*****Future Invoices*****</div> <div> <div>364.00</div> <div>11/30/2008</div> <div>364.00</div> <div>02/28/2009</div> <div>364.00</div> </div> </div> </div>				

Thank You

HRM Insurance Services, Inc.
18 East Main Street P. O. Box 480
New Palestine, IN 46163

(317)861-7524

Date

05/16/2008

44

MAS ATTACHMENT 1
CAUSE NO. 43579
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H LLC

Transaction		Description	Amount
08	Renew policy	Policy #CAP5877082 05/31/2008-05/31/2009 Cincinnati Insurance Company Package/ Quarterly Installment	7,177.00
2008	Renew policy	Policy #WC8969606-11 05/31/2008-05/31/2009 Cincinnati Casualty Company Workers Comp/Quarterly Installment IN 2nd Injury Fund	509.00 2.00
			Total
			7,688.00
			Thank You
IRM Insurance Services, Inc.		(317)861-7524	Date
18 East Main Street P. O. Box 480			05/19/2008
New Palestine, IN 46163			

45

Customer: Sugar Creek Utilities

Invoice	Effective	Transaction	Description	Amount
31783	08/31/2008	Installment	Policy #CAP5149287 05/31/2008-05/31/2011 Cincinnati Insurance Company Package/Quarterly Installment	364.00
				Total:
				364.00
<div> <div>11/30/2008</div> <div> <div>*****Future Invoices*****</div> <div>364.00 02/28/2009 364.00 :</div> </div> </div>				

Thank You

HRM Insurance Services, Inc.
18 East Main Street P. O. Box 480
New Palestine, IN 46163

(317)861-7524

Date

08/01/2008

46

47

			Description	Amount
31781	08/31/2008	Installment	Policy #CAP5877082 05/31/2008-05/31/2009 Cincinnati Insurance Company Package/ Quarterly Installment	7,122.00
		Installment	Policy #WC8969608-11 05/31/2008-05/31/2009 Cincinnati Casualty Company Workers Comp/Quarterly Installment IN 2nd Injury Fund	509.00 1.00
				Total
				7,632.00
				Thank You
HRM Insurance Services, Inc. 18 East Main Street P. O. Box 480 New Palestine, IN 46163			(317)861-7524	Date 08/01/2008

Customer: Sugar Creek Utilities

Invoice	Effective	Transaction	Description	Amount
33234	11/30/2008	Installment	Policy #CAP5149287 05/31/2008-05/31/2011 Cincinnati Insurance Company Package (C)	364.00
				Total
				364.00

Thank You

IRM Insurance Services, Inc.
8 East Main Street P. O. Box 480
New Palestine, IN 46163

(317)861-7524

Date

10/31/2008

48

MAS ATTACHMENT 1
CAUSE NO. 43579
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X
Customer: Heartland Resort LLC

Invoice	Effective	Transaction	Description	Amount
33230	11/30/2008	Installment	Policy #CAP5877082 05/31/2008-05/31/2009 Cincinnati Insurance Company Package (C)	7,122.00
33229	11/30/2008	Installment	Policy #WC8969608-11 05/31/2008-05/31/2009 Cincinnati Casualty Company Workers Compensation IN 2nd Injury Fund	510.00 1.00
				Total
				7,633.00

THANK YOU

IRM Insurance Services, Inc.
8 East Main Street P. O. Box 480
ew Palestine, IN 46163

(317)861-7524

Date

10/31/2008

MAS ATTACHMENT 1
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EMPLOYEE LABOR CHARGES

Sewer Utility

	Hours	Rate	Charge
Skilled Labor	841.50	\$ 12.00	\$ 10,098.00
Unskilled Labor	109.50	8.00	876.00
Per Timesheet Summary			\$ 10,974.00
Per General Ledger			10,929.00
Difference			<u>\$ 45.00</u>

Water Utility

	Hours	Rate	Charge
Skilled Labor	274.00	\$ 12.00	\$ 3,288.00
Unskilled Labor	-	8.00	-
Per Timesheet Summary			\$ 3,288.00
Per General Ledger			3,285.00
Difference			<u>\$ 3.00</u>

Mr. Salis would record hours when work was performed for the utilities (see timesheet summary).

Mr. Salis pays employees from \$8.00 to \$25.00 per hour; however, he only charges the utilities \$8.00 and \$12.00. He pays all employer taxes.

Some employees are part-time and some are full-time.

DAILY GRASS	SEWER HOURS		WATER HOURS	
	730	HELP HRS		
		46	215	
MONTHLY TEST			36	TEST TO LAB
3/11/2008	5	5		SEWER PROBLEMS LAST 2 HOMES
3/12/2008	8	8		
3/13/2008	6	6		
4/15/2008			5	METER PIT
4/22/2008			5	METER PIT
5/13/2008	5	5		LIFT STATION PUMP
5/18/2008	7.5	7.5		LIFT STATION
7/10/2008	36			3 PEOPLE ON JOB
7/11/2008	36			
7/12/2008		24		
8/21/2008	8	8		LIFT STATION

BACK HOE 7/10/2008

24

SEWER LINE AT DUMP STATIO 3 DAYS (Repair)

10/28/2008

8

LEAD AND COPPER TAKEN TO LABS

12/22/2008

5

METER PIT

841.5 109.5 10098 876 274 3288

↑

HRS
Skilled
Sawyer

Unskilled
Sawyer

Skilled
Water

EQUIPMENT RENTAL

The backhoe was used 24 hours in 2008.

Hours used	24
Times: rate per hour	<u>\$ 100.00</u>
Total	<u><u>\$ 2,400.00</u></u>

Mr. Salis billed Sugar Creek only \$1,600.00 not \$2,400.00.

Rate is per affiliated contract.

Per John Salis - Spoke with MacAllister's.

Daily rate	\$ 250.00
Weekly rate	600.00
Monthly rate	1,800.00
Plus a delivery charge	105.00
Plus a pick-up charge	105.00

VEHICLE

Mr. Salis said the rate is per affiliated contract.
Mr. Salis and employees use vehicles when needed.
No log is maintained.

SUGAR CREEK UTILITY COMPANY, INC.
CAUSE NUMBER 43579

Income Statement Comparison

	Water			Sewer			Combined		
	Pet	OUC	OUC More (Less)	Pet	OUC	OUC More (Less)	Pet	OUC	OUC More (Less)
Operating Revenues									
Residential Sewer Service	\$ 16,883	\$ 16,560	\$ (323)	\$ 51,201	\$ 49,680	\$ (1,521)	\$ 68,084	\$ 66,240	\$ (1,844)
Commercial Sewer Service	5,831	6,154	323	16,942	18,463	1,521	22,773	24,617	1,844
Penalties	-	-	-	-	-	-	-	-	-
Total Operating Revenues	22,714	22,714	-	68,143	68,143	-	90,857	90,857	-
Operating Expenses									
Purchased Power	4,800	4,800	-	12,000	12,000	-	16,800	16,800	-
Chemicals	-	-	-	-	-	-	-	-	-
Sludge Removal	-	-	-	-	-	-	-	-	-
Materials and Supplies	245	-	(245)	13,458	13,703	245	13,703	13,703	-
Contractual Services	35,866	23,624	(12,242)	47,789	60,031	12,242	83,655	83,655	-
Transportation Expense	1,200	1,200	-	3,600	3,600	-	4,800	4,800	-
Insurance	780	390	(390)	781	1,171	390	1,561	1,561	-
Rentals									
Building	2,250	1,125	(1,125)	2,250	3,375	1,125	4,500	4,500	-
Equipment	800	-	(800)	800	1,600	800	1,600	1,600	-
Regulatory Expenses	-	921	921	-	411	411	-	1,332	1,332
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Miscellaneous Expense	894	428	(466)	894	28	(866)	1,788	456	(1,332)
Total O&M Expense	46,835	32,488	(14,347)	81,572	95,919	14,347	128,407	128,407	-
Depreciation Expense	1,477	1,477	-	4,213	4,213	-	5,690	5,690	-
Amortization Expense	2,744	686	(2,058)	-	2,058	2,058	2,744	2,744	-
Taxes Other than Income:									
Sales Tax	59	59	-	-	-	-	59	59	-
Property Tax	967	484	(483)	967	1,450	483	1,934	1,934	-
Utility Receipts Tax	283	283	-	850	850	-	1,133	1,133	-
Total Operating Expenses	52,365	35,477	(16,888)	87,602	104,490	16,888	139,967	139,967	-
Net Operating Income	\$ (29,651)	\$ (12,763)	\$ 16,888	\$ (19,459)	\$ (36,347)	\$ (16,888)	\$ (49,110)	\$ (49,110)	\$ -
Other Income (Expense)									

**TESTIMONY OF ROGER A. PETTIJOHN
CAUSE NO. 43579
SUGAR CREEK UTILITY COMPANY, INC.**

I. INTRODUCTION & BACKGROUND

1
2 **Q: Please state your name and business address.**

3 A: My name is Roger A. Pettijohn, and my business address is 115 West Washington
4 Street, Suite 1500 South, Indianapolis, Indiana 46204.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by the Indiana Office of Utility Consumer Counselor (OUCC) as a
7 Senior Utility Analyst for the Water/Wastewater Division.

8 **Q: What are the duties and responsibilities of your current position?**

9 A: My duties include evaluating the condition, operation, and planning of water and
10 sewer utilities that are subject to IURC jurisdiction.

11 **Q: What is your professional background and experience?**

12 A: After teaching several years for the Department of Defense Dependents Schools, I
13 accepted an administrative position as Utility Director for the City of Elwood,
14 Indiana in 1976. Subsequently, I assumed the responsibilities of operator in
15 charge of the water and wastewater facilities. In 1980, I accepted a position as
16 Waterworks Superintendent for the City of Marion, Indiana. After taking early
17 retirement from the City of Marion in 1995, I served as a project manager and
18 representative for a firm representing various manufacturing companies in the

1 business of providing water and wastewater treatment equipment to municipalities
2 and industry. I currently maintain a Class I Wastewater Treatment License, as
3 well as Water Treatment System 3 and System 5 designations (WTS-3 and WTS-
4 5), which are ground and surface water treatment plant certifications, respectively.
5 Finally, I hold a Distribution System Large (DS-L) license, all of which are issued
6 by the State of Indiana.

7 **Q: Have you previously testified before the Commission?**

8 A: Yes, both on behalf of utilities for which I worked and as an analyst for the
9 OUCC.

10 **Q: What investigations have you performed in this Cause?**

11 A: I read Petitioner's testimony. I toured the Sugar Creek Utility Company, Inc.
12 ("Petitioner" the "Utility") facilities or service area on at least three separate
13 occasions. Some visits included site visits with Utility owner Mr. John Salis and
14 Riley Village Board President Mr. Bob McDaniel. In addition, I met with Mr.
15 Ronald Turner of R. Turner Plumbing & Well Service who has experience with
16 repairing service line and installing new service to Petitioner's customers.
17 Finally, I reviewed Petitioner's IDEM and Commission filings, participated in
18 Discovery and consulted with other OUCC personnel.

1 **Q: What is the purpose of your testimony?**

2 A: I will describe various aspects of Petitioner's water distribution system in Riley
3 Village, discuss Petitioner's proposed construction project, and describe certain
4 alternatives to the Project.

5 **Q: Please describe relevant characteristics of Petitioner's water distribution**
6 **system in Riley Village.**

7 A: Sugar Creek provides water service directly to approximately 84 residential
8 homes in Riley Village through a water distribution main and customer service
9 lines. In most cases, the water main runs under the homes and the water line is
10 normally tapped some few feet off the north side of the home. The sewer main
11 parallels the water¹ but the sewer service enters the home vertically off the main
12 whereas the water line generally comes in from the north side of the dwelling
13 underground and elbows straight up to the home. This design was appropriate
14 when the dwellings were mobile and could be moved to expose the service lines
15 but today the homes are fixed. Due to the location of the water main, the utility
16 has experienced difficulty repairing water distribution mains and service line
17 connections.

18 The water system is also undergoing an electrolysis problem. Electrolysis of pipe
19 is a "battery effect" caused by the juncture of dissimilar metals. In this case, an
20 originally installed iron pipe fitting was used to connect the service saddle to
21 another brass fitting before connecting to the plastic service line. As a result, the

¹ In one instance, I observed a home sitting directly across a sewer manhole.

1 iron fitting is being corroded by serving as an anode and yielding ions to the
2 cathode or brass fittings. Mr. Turner advised me that he has repaired four service
3 line leaks in the last six months and approximately twelve leaks in the last several
4 months. If left unchecked one would expect this process to continue. Even
5 though pipe electrolysis is a weak current, all the iron fittings must be
6 significantly corroded after nearly 40 years of service.

7 Finally, due to the lack of service line shut-off valves and water main valves, it is
8 necessary for the Utility to shut-down its well or wells for main or service line
9 repair. This procedure results in a pressure reduction for an entire area affecting
10 many residents and triggering boil advisories; whereas, turning a single isolation
11 valve serving a customer is normally all that is necessary.

12 **II. THE PROJECT**

13 **Q: Please describe Petitioner's proposed construction project (the "Project").**

14 **A:** The Project includes installing a new 6" water main in the street running through
15 Riley Village. From this new 6" main, Petitioner would install a new service line
16 to a meter pit, which would include meters and shut-off valves. The utilities
17 valves in each meter pit would be connected generally to two homes. (One
18 response to the OUCC's questions indicated that meters would not be part of the
19 project. However, Petitioner's PER included meter pits as part of the project.)
20 Once the new main, service lines, and shut-off valves are installed, the owner of
21 each residence would be responsible for arranging and paying for connecting the

1 home's plumbing to the piping in the meter pit.

2 **Q: What is the estimated cost of the project?**

3 A: Petitioner estimated that the project would cost \$270,000 including soft costs
4 such as engineering, inspection, permits and fees. In addition, Petitioner's
5 engineer estimated it would cost each residential customer approximately \$1,500
6 to connect from the home's plumbing to the meter pit.

7 **Q: How is the construction project (the "Project") beneficial?**

8 A: The Project is beneficial in several ways:

- 9 1. The water distribution main, service lines, meter pits, meters and valves
10 would be new and expected to have a longer service life than the existing
11 configuration.
- 12 2. Replacing the existing main will eliminate the leaks on the system
13 currently caused by electrolysis, as described above. New services will
14 eliminate the iron/brass connection.
- 15 3. The installation of shut-off valves as part of the project will allow the
16 Utility to efficiently shut-off customers who have not paid their water or
17 sewer bill.
- 18 4. The installation of shut-off valves as part of the project will allow the
19 Utility to shut-off customers who need to repair or replace their own
20 plumbing. A number of customers in Riley Village do not have, cannot
21 access, or do not know where their shut-off is located. Since leaking
22 water can be destructive in a home and also presents a safety hazard in the

1 presence of electricity, it is incumbent upon every utility to be able to
2 shut-off a customer's water.

3 5. The installation of a new main would minimize the need for repairs and
4 interruptions of service. Therefore, there would be fewer "Boil Water
5 Advisories," which are required when water main pressure falls below 20
6 psi.

7 6. It provides for a clear delineation of responsibility between the residential
8 property owner and the utility for the maintenance and ownership of
9 service laterals. (Typically, a utility is responsible for the water main and
10 service line up to the curb stop, meter pit or property line, whichever
11 comes first. The customer is responsible for the service line on his or her
12 property or from the meter pit to the home and inside the home.)

13 7. The installation of meters will eventually make it possible for the utility to
14 charge its residential customers based on volume, which will also promote
15 conservation of water.

16 **Q: What are some disadvantages of the Project?**

17 **A:** Relative to the number of customers that would provide revenues to pay for the
18 \$270,000 project, the project is expensive costing approximately \$22 to \$25 per
19 month. Similarly, the \$1,500 cost Petitioner estimates each customer would have
20 to incur to connect the home's plumbing to the meter pit is significant and
21 prohibitive, especially when these customers are otherwise currently receiving
22 water service without the need to pay such an expense. Also, it is not clear how

1 Petitioner would establish its right to place its new main in the Association's
2 right-of-way (the street), which is apparently owned by the Home Owners
3 Association. These are obstacles to the project that need to be addressed. Finally,
4 except for the ability to have service disconnected for purposes of making repairs
5 and avoiding loss of service to address leaks, the quality of the water service is
6 not generally improved by the project. The customers will be receiving the same
7 untreated water at the same basic water pressure.

8 **III ALTERNATIVES TO THE PROJECT**

9 **Q: Are there alternatives to the Project that would allow the utility to disconnect**
10 **delinquent customers?**

11 A: There are two basic alternatives. First, Petitioner could install new service lines
12 on the existing 6" main along with a meter pit, meter and other appurtenances that
13 would be connected to each customer's plumbing. Second, Petitioner could
14 install shut-off valves only when a customer is subject to disconnection for non-
15 payment or Petitioner is accessing the lines to address a leak.

16 **Q: How does the first alternative compare with the Project?**

17 A: One notable difference is that the water main will remain in place but everything
18 from the service saddle abutting the main (including the iron pipe fitting) to the
19 home will be replaced. The Utility could connect to the customers' line outside
20 the home with a compression coupling without the need for crawl space work or
21 tunneling. In addition, a meter pit, meter and all necessary appurtenances
22 belonging to the Utility will be set. The customer is responsible for his or her

1 own shut-off.

2 Installing new service lines on the existing 6" main along with a meter pit, meter
3 and other appurtenances that would be connected to each customer's plumbing
4 provides many of the benefits of the Project. As with the Project, Boil Advisories
5 will be minimized, there will be a clear delineation of service line responsibility,
6 customers may be readily disconnected from service, and pipe electrolysis will be
7 eliminated. Finally, the right-of-way issue will likely be circumvented since there
8 should be no need to open the street. Nor will there be any direct homeowner cost
9 for connecting house plumbing. However, owner cooperation will still be
10 necessary because work will take place on customer property. Under this option
11 however there is customer benefit from the security of an available shut off and
12 eventually metered billing without direct cost.

13 **Q: What will this alternative cost?**

14 A: I discussed the feasibility of this option with Mr. Turner. He did not provide a
15 written estimate for his work. However, he verbally estimated \$2,500 per unit for
16 a "normal" service installation with additional costs involved for any units where
17 tunneling is involved. Some homes already have new services and some are
18 abandoned but if 70 new services are installed the cost would be \$175,000 plus
19 \$20,000 for contingencies or \$195,000. Alternatively, twenty services could be
20 installed per year over three to four years.

1 **Q: Is it imperative that the main also be replaced?**

2 A: No. The main itself, other than its location, has not presented a maintenance
3 problem such as from leaks. Further, Mr. Turner states the PVC main is in good
4 shape from a corrosion standpoint. It is therefore reasonable to assume many
5 more years if not decades of dependable service.

6 **Q: Please describe the second alternative?**

7 A: Finally, as the least expensive alternative, the Utility could excavate as necessary
8 only to install a shut-off with a valve box. Although the least expensive
9 alternative, it would encourages timely payment for those in arrears. As
10 customers become aware their service will be disconnected for non-payment,
11 certainly more will pay or make arrangements for payment. This option presents
12 by far the least costly alternative and requires less investment or borrowing by the
13 utility. By far the largest cost component would be labor since the only materials
14 involved are a valve and valve box. However, the iron pipe fitting should also be
15 replaced.

16 **Q Why is Mr. Frazell opposed to a “case by case” Procedure?**

17 A: First, it should be understood that Mr. Frazell is an engineer and has logically
18 presented the best engineering solution. We concur the Project would remedy
19 service problems from a structural perspective. However, we are not convinced
20 the best engineering solution is the best solution for Riley Village overall. Mr.
21 Frazell asserts it is not feasible to install shut-offs on existing residents on a case
22 by case basis. He stated that when the homes transitioned to permanent

1 structures, concrete foundations were placed. He asserted that the only way to
2 install shut offs is to tunnel into the crawl space area.. He added that it may be
3 necessary to demolish the home's floor in installing individual shut off valves.

4 **Q: What is your response to the above difficulties?**

A: Mr. Frazell is referring to the installation of shut-off's on existing service lines. In most cases in Riley Village, the service line is connected to the main outside the home. In other words, the connection is not directly underneath the house. However, there are situations, presumably few in number, where the tap is below the home and runs straight up into the home as does the sewer connection. In that case, the service can be re-connected outside the home and joined to the customer's plumbing by trenching (not tunneling) under the home. Both types of connections have been made in Riley Village by Turner Plumbing and Mr. Turner assured me that this can be done in the future. None of the connections already made by Mr. Turner required the demolition of the owner's floor.

5 **IV. SRF PUBLIC HEARING**

6 **Q: Did you attend the State Revolving Fund (SRF) sponsored Public Hearing**
7 **concerning the Project at Sugar Creek Utilities?**

8 A: Yes. I attended the SRF Hearing on site at Heartland Resort on March 31, 2009.
9 SRF requires a Hearing be held to inform the community of the proposed Project
10 and invites questions and comment from the community. Mr. Lou Savka,
11 Petitioner's engineering firm Triad Associates, Inc., conducted the meeting and
12 explained the Project.

1 **Q: What was the community reaction toward the Project?**

2 **A:** There did not seem to be an overall awareness of the Project or at least particulars
3 of the Project from which many questions stemmed. Only eight residents from
4 the community were present at the Hearing. Mr. Savka referred to the main being
5 placed in the public right-of-way in Fountain Lake Street and suggested the
6 \$270,000 Project would likely have an attached interest rate between 3 to 4.2%.
7 He did not discuss the rate impact since it would be dependant upon the interest
8 rate but did mention a customer cost of \$12 to \$15 per foot to connect the
9 customer plumbing at the meter pit but also that the Project included a meter.
10 One couple seated in front complained they could not afford the hook-up.

11 **V. CONCLUSION**

12 **Q: What are your conclusions?**

13 **A:** The Project is the best engineering solution to resolve Petitioner's shut-off and
14 collection problem. But, the best engineering solution is not always the best
15 solution for the customers or the utility. Based on the significant monthly charge
16 and the \$1,500 connection cost each customer would have to incur, I do not
17 expect the customers will consider it the best option over all. This charge may be
18 cost prohibitive for some customers and could result in fewer customers to the
19 utility. Other alternatives allow delinquent customers to be disconnected and at a
20 lower cost to the utility. The scheduled April 15 Field Hearing should provide
21 more insight. If a consensus among the ratepayers favors the project, I will

1 support the Project. Meanwhile, unless the project can be done at much less
2 expense to the rate payer, I do not believe the Commission should pre-approve the
3 Project.

4 **Q: Does this conclude your testimony at this time?**

5 **A: Yes.**